

NEWS SUMMARY

GENERAL

Captive
Italian
judge 'to
be freed'

Italy's Red Brigades guerrilla group said it would "revoke" a "death sentence" on Judge Giovanni D'Urso, kidnapped nearly five weeks ago.

The sentence is revoked and the prisoner is being set free, the Brigades said in a statement. The announcement followed newspaper publication of statements by imprisoned guerrillas. The Brigades claimed credit for the closure of top security Asinara jail and said the "struggle" would continue until it achieved "the destruction of all prisons and the release of all proletarian prisoners." Page 2

Sea action call

Seamen's leaders rejected a 12 per cent pay offer and will ask union members to step up industrial action. Page 9

Libyan walkout

Libyan Foreign Minister walked out of an African summit conference on Libya's proposed merger with Chad, saying Egypt should not be represented.

Airmen killed

At least eight crewmen of a U.S. C-130 Hercules transport plane were killed when it crashed into an ammunition dump shortly after take-off from Ramstein air base, West Germany.

Botham for trial

England cricket captain Ian Botham elected to stand trial on a charge of assaulting a Royal Navy apprentice near a nightclub. His solicitor said he will deny the charge.

School tragedy

A 10-year-old boy died when a wall collapsed at Maerdy junior school, South Wales. Three hundred pupils were sent home as investigations began.

Privilege probe

An allegation that British Steel chairman Ian MacGregor threatened to end investment in a plant because of Parliamentary criticism was referred to the Commons Privileges Committee. Page 8

Union guide

TUC's "social contract" with the last Labour Government is reconsidered in a consultative document. Back Page

Farm prices

EEC Commission agriculture proposals would raise guaranteed farm prices by between 5 and 6 per cent, it is believed. Back Page; Gundlach succession. Page 2

Frozen sunshine

Sub-zero temperatures may have destroyed a fifth of the orange crop in Florida, which may drive up orange juice prices. Page 4

Video stars

Space invaders video games are being added to the curriculum for disabled students at Portland Training College, Nottinghamshire, to aid co-ordination.

Beer break

Londoner Peter Bird, 33, rowing from San Francisco to Australia, "stopped for a beer" 1,000 miles east of Honolulu, a passing ship reported.

Briefly...

Gunmen kidnapped Spanish industrialist Luis Suñer Sanchis.

South Africa announced plans to extend identity card laws to whites. Page 2

Egypt dropped spying charges against Soviet diplomat Yuri Marchenko, but expelled him. Government invited tenders for a £7.5m shopping complex in Londonderry.

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISERS	
Excheq. 12pc '83 A...	290 + 1
Dvl. Bk. Singapore	163 + 18
French (T)	125 + 5
Stag Line	270 + 10
Vickers	134 + 5
Witter (T)	154 + 12

FALLS	
Bassett (G)	32 - 3
Brentford Beard	13 - 5
Diploma Ins.	150 - 14
Dovity	190 - 7
Farnell Electronics	340 - 15
Fraser of Fraser	127 - 3
ICL	48 - 7
Kwik Save	159 - 6
Man. Agency Music	182 - 10
Man. Ship Canal	190 - 8

BUSINESS

Dollar
eases;
Gold
\$5 off

DOLLAR eased to DM 1.9939 (DM 2.0000) SWFr 1.8075 (SWFr 1.8110) and Y203.00 (Y203.10). Its trade-weighted index fell to 86.8 (87.0). Page 29

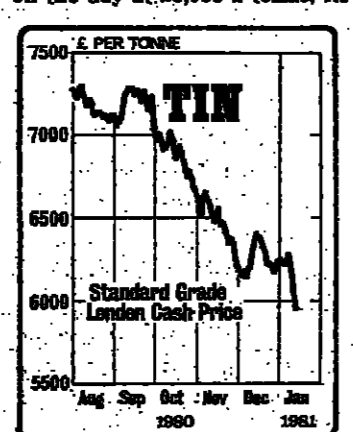
STERLING gained 85 points to 82.3970 and was slightly firmer against European currencies. Its trade-weighted index rose to 79.4 (79.3). Page 29

GOLD lost \$5 to close at \$359.5. Page 29

EQUITIES continued to ease. The FT 30-share index closed at the day's lowest, 14 off at 446.0. Page 38

GILTS maintained their recent better trend. The Government Securities Index put on 0.08 to 68.47. Page 38

CASH TIN edged \$125 down on the day at \$5,953 a tonne, its



lowest finish since early 1978. Page 37

WALL STREET was up 5.04 to 970.14 near the close. Page 30

FSBR may overshoot in the current financial year and will continue to be pushed up in 1981-82 by the unexpected depth of the recession, Nigel Lawson said. Back Page

WHITE MOTOR, the bankrupt U.S. truck building business, said it was expecting a firm offer from Daimler-Benz shortly. Consolidated Freightways is a rival bidder. Back Page

MONSANTO, the fourth largest U.S. chemicals company, announced it would sell or shut down its entire polyester-Bakelite textiles business. Back Page; Background. Page 26

TRADE-WEIGHTED INDEX for sterling is to be changed from February 2, taking 1975 as its base and revising the weightings of currencies to take account of recent changes in trade flows. Page 6

NEE offered to inject cash into Massey Ferguson's Perkins subsidiary three years ago, but the deal fell through, former NEE chairman Sir Leslie Murphy said. Page 8

WIGGINS TEAPE, the BAT Industries papermaking subsidiary, plans to cut its workforce by about 350 over the next few months. Page 6

DEUTSCHE BP suffered a major collapse in profitability last year as a result of a DM 104m (£31.75m) loss on its oil refining and marketing operations. Page 27

MAGNET and SOUTHERNS, manufacturer of prepared joinery, doors and ancillary products, reported taxable profits down by just over £500,000 to £11.9m in the six months to end September. Page 24; Lex. Back Page

KENNING MOTOR GROUP pre-tax profits for the year to end September were down to £3.99m (£8.45m). Page 24

LINFOOD Holdings, the wholesale, cash and carry and retail distribution group, reported pre-tax profits down from £5.08m to £4.54m for the 28 weeks to November 8, 1980. Page 24; Lex. Back Page

Vauxhall to cut 5,700
jobs at three plants

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

VAUXHALL, the UK subsidiary of General Motors, is to cut the workforce at its three plants by 5,700 or roughly one in five of the 29,000 employees.

The most savage cuts will be at the Ellesmere Port car plant on Merseyside where the group wants to reduce the 8,700 workforce by 3,045 or 35 per cent. Job losses at the major plant at Luton, Bedfordshire, where both cars and commercial vehicles are made, will reduce numbers by 1,765 or about 12 per cent. Luton currently employs 14,800.

At the Dunstable truck factory Vauxhall wants a 16 per cent reduction, with 900 of the 5,500 jobs there disappearing.

All three plants have been on short-time working since the autumn.

Mr. Geoffrey Moore, Vauxhall's chairman, said last night the company hoped to achieve all the cuts either by voluntary redundancies or early retire-

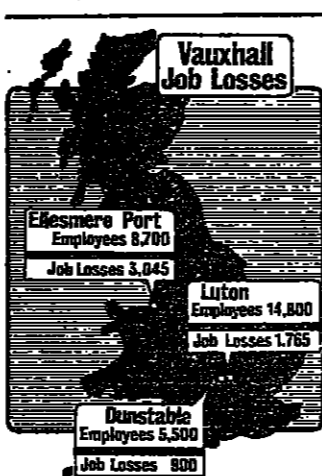
ment (over 55 years for men and over 50 for women).

But there seems little doubt the company would not shrink from making forced redundancies if necessary.

Mr. Ferdinand Beickler, president and managing director, blamed the moves on "contin-

uing inflationary pressures, high interest rates and the overall recession which present the prospect of further decline in UK and overseas markets in 1981.

"The high pound is affecting



our export competitiveness — of particular significance to our Bedford commercial vehicle business, as overseas sales have historically represented over 60 per cent of truck production."

Mr. Beickler said he supported Confederation of British Industry criticism of the Government's handling of the economy. "The Government is

well aware of our views about the effect of its policies on the automotive industry," he said.

But there was no question of General Motors pulling out of Britain. "We are not going

walk out of the fourth-biggest market in the world outside the U.S.," he said.

Initial trade union reaction

APPEALS TO
THATCHER

Mrs. Margaret Thatcher will face personal appeals from the CBI and TUC early next month to provide maximum relief for industry in the budget.

The CBI will concentrate on demands for a cut in the National Insurance surcharge and the TUC is to call for an injection into the economy.

Back Page.

Aid for Linwood. Page 8.

Other redundancies. Page 6.

The cost of employing the unemployed. Page 23

was muted. Nearly 100 union representatives from Vauxhall plants met Mr. Beickler, Mr. Moore and other directors for a five-hour briefing at Luton yesterday about the group's future plans and prospects.

Afterwards Mr. Clifford Keech, chairman of the Vauxhall unions' joint negotiating committee, said committee members would not comment on management proposals until they had discussed them with shop stewards.

On the positive side the unions were told that Ellesmere Port is to begin assembly of the latest, best-selling GM car in Europe, the Opel Kadette, from the end of this year. The Vaux-

France starts switch to
alcohol as vehicle fuel

BY TERRY DODSWORTH IN PARIS

THE French Government yesterday approved an ambitious petrol-substitution plan aimed at reducing the country's dependence on motor fuel derived from imported oil by between 25 and 50 per cent over the next 10 years.

The decision, based on the development of alcohols as a substitute, opens the way to the eventual use of vegetables and vegetable wastes—the so-called biomass—industries—as a significant energy source in France.

In the next four to five years, however, the main emphasis will be on methanol.

Announcing the measures yesterday, M. Andre Graud, the Industry Minister, said FMI 100m (£29m) of public funds will be granted from research in the sector this year.

The Government will act immediately to change the regulations governing petrol production so fuel mixtures including up to 10 per cent alcohol can be launched as quickly as possible—almost certainly during the course of this year.

The French plan, the first of its scale in Western Europe, is preceded in other parts of the world by similar projects, notably the development of alcohol fuel from sugar cane in Brazil and from a variety of agricultural products in some states in the U.S. Last year, for example, Brazil used 3.8m tonnes of alcohol in this way, mixing it in the proportion of 20 per cent alcohol to 80 per cent petrol.

France's objectives are less ambitious in the immediate future. The Government hopes that 1.5m tonnes of alcohol (the authorities have coined the term "carburel") to describe its use in petrol will be used for motor fuel in the period up to 1985.

At this stage the carburel element will be limited to 10 per cent of the mixture, because of the potentially corrosive effect it can have on some parts of the engine.

It is longer term, however, that France hopes to develop a new type of car fuel in which the carburel content will rise to as much as 50 per cent. By 1985 it is expected that the biomass industries will be beginning to produce fuel in substantial quantities.

M. Graud indicated yesterday that of the three main possibilities for producing carburel, a technique using enzyme catalysts on a wide variety of vegetable matter was the one most favoured by the Industry Ministry.

He said that while ethanol produced from the fermentation of products with a high sugar content had been considered, it was still much more expensive than petrol. Methanol was now competitive, but most of the feedstocks, such as coal gas and heavy oils, again meant a reliance on foreign raw material supplies.

West German oil bill forecast. Page 2

London Brick drops works plan

BY ANDREW TAYLOR

CONTROVERSIAL plans to build two £30m brickworks in Bedfordshire have been abandoned by London Brick. The group blamed Bedfordshire County Council's insistence on unrealistic pollution controls for its decision not to proceed.

London Brick said last night that planning consent had been granted by the council for a £30m works at Stewarby, close to the M1 motorway, but conditions attached to the consent made it impossible for the group to proceed.

It has now formally abandoned its plans to build a works at Stewarby and said plans for works at nearby Ridgmont will not proceed for similar reasons.

The group said it would proceed with its investment plans and was considering several options. These could include bringing forward plans to build a £15m brickworks at

Whitlessy, Cambridgeshire. London Brick may also introduce a modernisation programme at some of its other works now that its Bedfordshire plans have been abandoned.

Each of the £30m works would have produced 10m bricks a week, replacing existing capacity. The £60m programme, announced in August, 1979, had to be scrapped because of council insistence that filter controls should be installed to remove pollutants—sulphur dioxide and fluoride—from waste gases as prerequisite to development.

The group said last night: "There is no process available that will remove all pollutants, nor is there likely ever to be so the planning permission is unworkable. We are bitterly disappointed at this decision."

However London Brick said the decision would not affect existing works at Stewarby and Ridgmont, and no jobs would be lost as a result.

The investment plan would have made the plants more efficient. It would have entailed demolition of about 100 chimneys to make way for four of about 450 ft in height.

"Bedfordshire will lose the benefit of cleaner works, a major construction project which would have meant new jobs, and considerable environmental improvements," said London Brick.

London Brick said it had originally interpreted the council's recommendations to mean that filters should be installed when they became available. But last month the council made clear this was not the case.

Problems in setting cement prices. Page 8

Iran Bill on
assets passed

BY TERRY POVEY IN TEHRAN AND DAVID BUCHAN IN WASHINGTON

IRAN'S PARLIAMENT yesterday passed a bill authorising its government to allow a third party to arbitrate in legal claims between the U.S. and Iran. Some \$13bn (£5.4bn) of Iranian assets were frozen by the U.S. government in 1979 in retaliation for the seizure of the hostages.

But there was confusion over a claim by Tehran radio that the U.S. had agreed to deposit 70 per cent of Iran's frozen assets—just over \$10bn—in Algeria.

The State Department in Washington refused to confirm or deny the report, while Iran's official Pars news agency said later: "The figure is not confirmed."

The U.S. welcomed the Iranian parliament's passage of the arbitration Bill as "a positive sign" and U.S. negotiators, led by Mr. Warren Christopher, stayed on last night in Algiers.

But the State Department sternly cautioned that it had no way of knowing whether a deal to release the hostages involving the frozen assets would be reached before the Carter Administration leaves office next Tuesday.

The unfreezing of Iranian assets has been made more difficult by numerous legal claims and attachments brought in the U.S. since the hostages were taken. The \$2.5bn in securities and gold in the Federal Reserve Bank in New York can be most easily freed.

But the \$4bn in Iranian assets deposited in American bank subsidiaries outside the U.S.

and especially the \$60n held in banks in the U.S. will be more difficult to return to Iran.

There is some confusion in Tehran, however, over the significance of an amendment to the Bill moved by Dr. Hassan Ayat, an opponent of any quick settlement, which was also carried. The amendment excluded from the arbitration those cases in which a prior contractual agreement existed to resolve disputes through the Iranian courts. It is unclear exactly how this will be interpreted by Iran or U.S. negotiators.

A second Bill, to nationalise the Shah's wealth, was not discussed yesterday, and is to be debated next week. The Government Minister in charge of hostage negotiations, Mr. Behzad Nabavi, accepted that it was not urgent.

This is taken to indicate that the question of agreement between Iran and the U.S. on return of the late Shah's wealth is largely procedural rather than hanging on the cash guarantee originally sought by Iran. By this reasoning the second Bill need not be passed before the hostages are released.

A move on Tuesday by New York lawyers for the Iran government to expand an earlier suit demanding the return of the late Shah's wealth, was regarded as an encouraging sign that Tehran may have at last accepted Washington's argument. The U.S. government has insisted the fate of the Pahlavi family assets can only be settled in the U.S. courts.

Continued on Back Page

Retail petrol price up 5p in UK

BY MARTIN DICKSON, ENERGY CORRESPONDENT

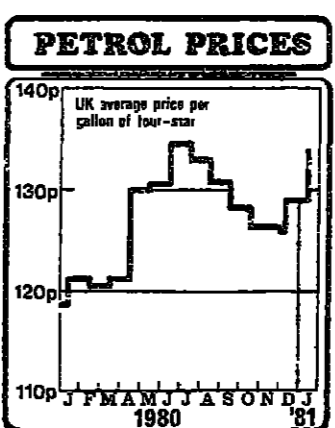
THE PUMP price of petrol at many British filling stations is to rise by about 5p a gallon today. Heating oil is likely to go up by a similar amount.

Shell and Esso, the joint UK market leaders, yesterday announced increases in the wholesale price of their petrol which will add some 5p to the retail price, taking a gallon of four-star to about £1.34. Mobil followed and other leading companies are expected to impose similar increases during the next few days.

The increases are a result of the crude oil price rises agreed by the Organisation of Petroleum Exporting Countries at its December conference in Bali.

Esso is putting its wholesale petrol price up 4.27p a gallon, Mobil 4.81p and Shell 4.64p. Other oil products are going up by between 4.55p and 5.91p a gallon.

Petrol prices last went up in early December—again by



about 5p a gallon—when oil companies withdrew the subsidies which many had granted to dealers last summer during a price war.

There is still strong competition among retailers because of slack demand for petrol and plentiful supplies, and this has

helped to hold down this latest price rise.

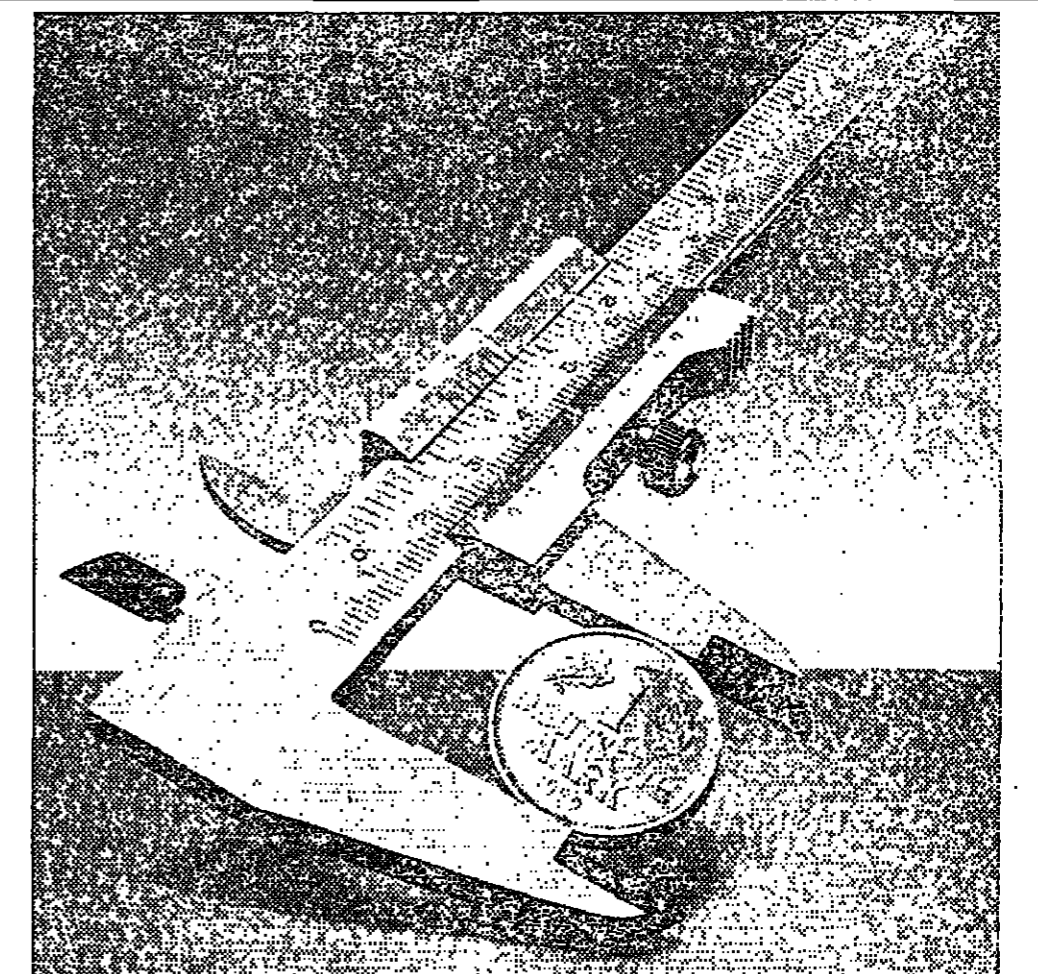
Britain's North Sea oil—which provides many UK refineries with about half their crude needs—is set to go up by some 33 (£1.25) a barrel on the back of the OPEC increases. The British National Oil Corporation, the main price setter for North Sea crude, has apparently reached agreement on a \$3 increase with some of its suppliers but is still negotiating with others.

Meanwhile, Iran announced yesterday that it was raising its official price for light crude to \$37 a barrel from \$35.37, back-dated to January 1.

Oil price rise forecast, Page 8

£ in New York

	Spot	1 month	3 months	12 months
Oil	\$2.915-2.925	\$2.960-2.970	\$3.000-3.010	\$3.050-3.060
1 month	1.30-1.40	1.10-1.20	1.25-1.35	1.40-1.50
3 months	2.70-2.80	2.55-2.65	2.70-2.80	2.85-2.95
12 months	4.30-4.45	4.15-4.25	4.30-4.45	4.45-4.55

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EUROPEAN NEWS

Walesa to visit W. Germany next month

Mr. Lech Walesa, leader of Solidarity, the independent Polish union, is to visit West Germany next month as a guest of its trade union federation, Reger Boyes writes from Bonn.

The trip could prove to be something of a diplomatic embarrassment for the Bonn Government coming shortly before the election of Helmut Kohl.

Leslie Collitt adds from Warsaw: Yesterday's talks between the Soviet Commander-in-Chief of the Warsaw Pact Forces, Marshal Viktor Kulikov, and the Polish Communist leadership and high command, came only hours before a warning strike in some 30 factories in the Rzeszow district 40 miles from the Soviet border.

The strike was organised by the local branch of Solidarity, the independent union, to press demands which include recognition of a farmer's union, Rural Solidarity, which the authorities are refusing to register.

Police clear protest

A massive police action to remove some 800 demonstrators protesting against the controversial Alta hydro power project in north Norway passed off more peacefully than expected, writes Fay Gjester in Oslo. Yesterday morning some 200 policemen started carrying the unresisting protesters away. They were driven to the nearby town where they were fined about £300 apiece. Most refused to pay.

Turkish bank post

The Turkish Government has asked Mr. Yavuz Canevi, former manager of the central bank's foreign exchange department, to become Deputy Governor of the bank, writes our Foreign Staff. He has said he will reply by the weekend. On Tuesday, Mr. Osman Siklar was appointed Governor in succession to Mr. Ismail Hakki Aydinoglu, who resigned.

French steel decline

A sharp deterioration in France's domestic market for steel in the second half of last year wiped out an earlier recovery in output to leave the year's production figure 0.8 per cent below 1979's at 23.2m tonnes, writes David White in Paris.

N-plant explosion

An explosion took place on Tuesday at the Eurodif uranium enrichment plant in Tricastin in the south of France, writes Robert Mauthner in Paris. It was described by the management as "not having any serious consequences."

Austrian Minister

Dr. Herbert Salcher (51), has been appointed Austria's Minister of Finance in the place of Dr. Hannes Androsch, writes Paul Lendvai in Vienna. He has been Minister of Health and is regarded as a moderate and pragmatic politician.

Swiss unemployment

Swiss unemployment last month rose to 8.25%, its highest level since April, writes John Wicks in Zurich. This is still only 0.2 per cent of the labour force, however, and is nearly 30 per cent lower than at the end of 1979.

CHANCELLOR DEMANDS CABINET DISCIPLINE

Schmidt takes tough line on loyalty

BY JONATHAN CARR IN BONN

HERR HELMUT SCHMIDT, West German Chancellor, has delivered a strong demand to his cabinet for discipline and solidarity to overcome difficulties facing the coalition.

In the first cabinet session that he has presided over this year, Herr Schmidt insisted yesterday that once decisions had been taken jointly, Ministers must clearly and loyally defend them in public.

He is understood to have said that Ministers not prepared to do this should leave the government.

Herr Schmidt's comments are seen as an indication that he plans to take the reins of government much more firmly.

Aides also say Herr Schmidt is in much better health following a holiday in the Canary Islands and a visit to Morocco. Last year, in the wake of the general election campaign, he was described as physically exhausted.

Since their election victory, relations between Herr Schmidt's Social Democrats (SPD) and the liberal Free

Democrats (FDP) have been strained. There has been speculation on whether the coalition could survive a full four-year legislative period.

Many Social Democrats feel that the Free Democrats—although very much the junior partner—gained the best of the coalition negotiations on the future course of government policy.

Senior Free Democrats fear that the Social Democrats may try to re-negotiate what has already been agreed, and have said as

much publicly, further increasing the friction.

Clear differences have also arisen amongst Social Democrats over West German arms exports and the NATO decision to produce and install nuclear missiles in Europe. These have yet to be fully debated.

With the Chancellor absent, it has often seemed that both the coalition and the SPD have been speaking with several contradictory voices. Herr Schmidt has now made clear that this has got to stop.

West German oil bill forecast to top £15bn

BY KEVIN DONE IN HAMBURG

THE West German current account of the balance of payments is likely to be burdened with oil imports costing at least DM 73bn (£15.7bn) in 1981, a bill which could well undermine the Federal Republic's hopes of reducing last year's current account deficit of an estimated DM 30bn (£6.4bn).

West Germany's oil bill jumped to DM 65bn (£13.8bn) last year from DM 49bn (£10.4bn) in 1979 despite a drop in oil consumption of around 0.5 per cent and oil remains the country's major energy source accounting for 47.5 per cent of primary energy consumption.

According to the latest calculations by Deutsche BP, the largest oil company in the Federal Republic, the latest round of crude oil price increases agreed by the Organisation of Petroleum Exporting Countries in Bali last month means the crude oil import price in the Federal Republic has now reached DM 540 (£115) per tonne compared with an average price of DM 455 (£97) per tonne in 1980.

During last year the price jumped from DM 335 (£82) per tonne in January to an estimated DM 500 (£106) in December. The estimate of DM 73bn for West Germany's oil bill takes no account for any

further oil price rises that may be imposed by the oil exporting countries during 1981.

The final bill could also be larger if the D-Mark continues to weaken against the U.S. dollar, the currency in which international oil payments are made. Deutsche BP has used an exchange rate of DM 1.85 to the dollar, but this week the D-Mark has again been under pressure, trading at times at over DM 2 to the dollar.

The first direct effects of the latest round of crude oil price increases are being felt by West German consumers this week with a round of product price increases being introduced by the major oil companies.

Esso has led the way with a rise of 4p per litre taking the price for four-star petrol to DM 1.30 (£27) per litre and other companies such as Aral, the largest petrol supplier in the Federal Republic, have followed.

The oil companies have run into strong public criticism for the latest round of increases, but Deutsche BP said yesterday the increases were needed to make good the losses being made on oil refining and marketing. It made a loss of DM 104m (£22m) on its oil business last year, it announced yesterday, and it is expected to raise prices next week at the latest.

Key pay negotiations open in metal industry

BY ROGER BOYES IN BONN

THE ANNUAL round of West German wage negotiations began in earnest yesterday with a hard line advanced by both the powerful IG Metall union and employers in the key metal-working and steel industries. The settlements in these industries traditionally set the pace for the rest of the German economy and thus often tend to be particularly tough.

The pay round this year looks like being especially hard fought, mainly because of the weakening of the economy which has cut back the room for manoeuvre for both the employers and the unions. In the crucial Nordwürttemberg-

Nordbaden and Saarland districts which opened formal talks yesterday, the union was demanding 8 per cent and 7.5 per cent respectively, while the employers offered 2.5 per cent.

The metal-workers' demand is based on a calculation adding the anticipated rise in German productivity (2.5 to 3 per cent) to the anticipated rise in the cost of living (4 per cent) to 5 per cent and an extra component for the lowest paid within the industry. The employers who maintain (unconvincingly) that their offer is final have said the wage rise will have to be strictly linked to productivity if they are to

maintain a high level of investment. They argue that settlements higher than 2.5 per cent will mean fewer jobs.

But IG Metall's determination to push for full compensation for inflation this year has been fuelled by a series of price increases for petrol announced this week. The union claims these increases plus additional taxes on petrol to be enforced in April will put considerable strain on their members and that they signal a much higher inflation rate for 1981 than the officially forecast 4 per cent. According to figures released this week, the

average inflation rate reached 5.5 per cent last year, the highest average annual rate since 1975.

The head of the Nordwürttemberg union district Herr Franz Steinkuehler—who has a reputation for aggressive negotiating and competent strike organising—made clear yesterday that the bottom line for the union will be guaranteeing of "real wages." By this he means that at the very least wages will have to keep pace with the cost of living—suggesting that final settlements may be around the 5 per cent mark.



Mr. Dalsager... aiming for Agriculture.

Danes name new Commissioner

BY WALTER ELLIS IN STRASBOURG

DENMARK's new EEC Commissioner is to be Mr. Poul Dalsager, the present Agricultural Minister. He was nominated yesterday in Copenhagen to replace Mr. Finn Glin Gundersen, who died on Tuesday only one day after being sworn in for a second term as Farm Commissioner.

It is not yet certain that Mr. Dalsager will take over the Agriculture portfolio but, with his background and expertise and with the firm support of his government, he should prove a difficult candidate to dislodge. A final decision on the job will be taken at a Commission meeting next Wednesday in Brussels.

If a dispute should arise over the farm portfolio—probably the most important after that of Mr. Thorn—the likely candidates for the job would be Mr. Frans Andriessen, of the Netherlands, the competition policy Commissioner, Sig. Lorenzo Natali, of Italy, in charge of Mediterranean policy and EEC enlargement, and, just possibly, Mr. Michael O'Kennedy, of Ireland now uncertainly placed as "president's delegate."

Mr. Dalsager is a 51-year-old Social Democrat and his appointment maintains at three the number of left-of-centre Commissioners. He is a former vice-president of the European

Parliament and a one-time member of its agricultural committee. He has been Denmark's Agricultural Minister three times in the past four years, serving in the various coalitions established by Prime Minister Anker Jørgensen.

Mr. Gundersen's death threw the Commission and the Community as a whole into some confusion. He was a key member of Mr. Thorn's team and was about to undertake a vital programme of reforming the common agricultural policy. The CAP currently takes up nearly 70 per cent of the EEC budget and has effectively stifled the growth of other spending policies.

EEC steps up efforts to resolve budget

BY WALTER ELLIS IN STRASBOURG

THE EEC is intensifying efforts to resolve the latest Community budget dispute without resorting to legal proceedings.

The European Parliament and the Council of Ministers disagree on the final dimensions of both the 1980 and 1981 budgets, and France is leading a revolt by some states against paying more than they consider reasonable.

Mr. Chris van der Klaauw, the Dutch Foreign Minister, and incoming president of the Council, told the Parliament yesterday that he hoped the

conflict could be resolved quickly and that he would do everything he could to seek a solution.

M. Gaston Thorn, president of the European Commission, has said, however, that if governments do not pay up they will be taken to the European Court in Luxembourg.

Court proceedings are notoriously long, and a tradition has grown that member states obey only those rulings with which they agree.

France, West Germany and Belgium have already refused

to pay the extra money for 1980 voted through last month by the Parliament, but the big test comes next month when the first instalment of the current budget falls due.

Parliament is, meanwhile, opening a new front in the budget war. The influential budgets committee has proposed in a report that less money be spent on agriculture and more on under-developed regions, such as regional planning, energy and industrial training.

Under EEC rules, the farm

budget cannot be significantly altered by MSPs because it is regarded as the source of "obligatory" spending—money which must be paid out to ensure a proper regulation of the market.

The budgets committee has proposed the abolition of the present 1 per cent ceiling on VAT payments by member states.

The Commission is also seeking introduction of a corrective mechanism to ensure that VAT contributions are related to governments' ability to pay.

Terrorists 'releasing' Italian magistrate

By James Buxton in Rome

RED BRIGADES terrorists in Italy announced yesterday that they were in the process of releasing Judge Giovanni D'Urso, whom they have held captive for nearly five weeks. But at the end of an afternoon during which it was believed for a time that the kidnappers were recovering from his ordeal in a Rome hospital, it became clear that he had not been found after all.

Shortly after a communique was discovered announcing that Sig. D'Urso was being "returned to freedom," his family received a telephone call telling them to go to the Aurelia valley area of western Rome where they would "find something."

Police who rushed to the area apparently found an injured man who was taken to a nearby hospital. Under the impression that it was Sig. D'Urso, members of parliament assembled for a speech by Prime Minister Arnaldo Forlani immediately started expressing their relief, tinged in some cases with self-congratulation.

Then it emerged that the man in hospital was not Sig. D'Urso but an injured construction worker. Official statements from Government and police confirmed that, so far, the kidnapped judge had not been found.

It remained unclear whether there had been some hitch in the Red Brigades' plan for releasing the magistrate, or whether the whole manoeuvre had been staged to sow further confusion in the ranks of the authorities on the day of the Prime Minister's statement on terrorism—and cause agony to the D'Urso family.

In their communique, the terrorists claimed that they had won a major victory and that the death sentence on Sig. D'Urso was being suspended. But their claim against the prison would be null and void if the man had not been destroyed, and all proletarian prisoners released.

Airlines oppose BA plan

By Brij Khindaria in Geneva

BRITISH AIRWAYS' and Air France's plans to eliminate first-class cabins on routes within Europe have run into opposition from several European airlines.

West Germany's Lufthansa, Swissair, Spain's Iberian, Olympic Airways of Greece and Austrian Airlines have told British Airways in separate talks that they do not wish to end first-class fares and expect British Airways not to do so, either.

The Geneva-based International Air Transport Association (IATA) is expected to call a meeting of all European airlines in coming weeks to discuss the argument. A spokesman said British Airways will not be breaking any association rules if it ends first-class cabins, providing services offered at the lower fares are also reduced.

However, British Airways must get agreement not only from the airlines but from the governments of West Germany, Switzerland, Spain, Greece and Austria since air traffic is regulated by bilateral accords between Britain and those governments.

Beleaguered by falling traffic British Airways has made the elimination of first-class fares in Europe from April a major part of plans to win a larger share of continental passengers. It wants to offer a "new European product" which probably means the creation of a "club class."

OVERSEAS NEWS

South Africa plans to extend identity card system to whites

BY QUENTIN PEEL IN JOHANNESBURG

ALL RACE groups in South Africa will in future have to carry the same identity documents, including their fingerprints, which must be shown to a policeman on demand, according to legislation proposed by the South African Government.

The move is seen as a prelude to the abolition of the "passbook" which all blacks have to carry, and which is deeply resented as a symbol of white control by most of South Africa's majority black population.

However it is also intended to be strictly enforced, to counteract the growing incidence of political violence in South Africa.

Details of the new identity documents were announced yesterday by Mr. Chris Heunis, the Minister for Internal Affairs. He said the inclusion of fingerprints, which would be

recorded on a register, was to counteract "the increasing attempts to infiltrate strategic installations... with a view to espionage and sabotage."

Officials at the Department of Internal Affairs could not confirm whether the new documents would replace the existing passbooks for blacks, but Dr. Piet Koornhof, the Minister of Co-operation and Development, who is responsible for laws affecting the black population, has repeatedly promised to get rid of them.

What the proposed law appears to do is to tighten up the identity requirements on whites in order to make the system non-racial, rather than relax the regulations affecting blacks. Moreover it will not include blacks from the independent tribal homelands, who will still have to carry their travel documents.

Puzzle over Afghan settlement hints

BY DAVID HOUSEGO, ASIA CORRESPONDENT

THE RUSSIANS' still remain deeply involved in the fighting in Afghanistan notwithstanding the claims of three Labour MPs on Tuesday that the Babrak Karmal regime is in control of the country. But what is puzzling Western diplomats is why the Russians have been dangling the carrot before Pakistan of negotiations towards a political settlement in the country.

The Russian ambassador in Islamabad, Mr. Vitaly Smirnov, recently told Mr. Agha Shahi, Pakistan's Foreign Minister, that the Afghan Government was now dropping its demands for recognition as a pre-condition for entering into talks on the country's future.

Since the Afghan Government made proposals for negotiations with its neighbours on May 14, it has always insisted that these should be on a government-to-government basis—a point firmly rejected by the Islamic Conference, which has made it a major point of policy that talks could be with representatives of the ruling People's Democratic Party only.

On the face of it, this was the largest concession the Russians or the Babrak Karmal regime has made since the Soviet invasion in January. It was having the full backing of the Soviet Government.

Mr. Agha Shahi, who has been at the centre of all the diplomatic manoeuvring over Afghanistan, accordingly wrote to Dr. Kurt Waldheim, the UN Secretary-General, on January 2 saying that "favourable" conditions now existed for a serious dialogue between Pakistan, Iran and the People's Democratic Party.

The letter asked Dr. Waldheim to name an emissary to initiate talks towards a solution of the Afghan crisis.

For the Pakistanis as well, this new initiative marked something of a climb-down from positions they had earlier held. Pakistan was one of the states strongest in its condemnation of the Russian invasion.

At the time of the Islamic Foreign Ministers' conference in May Mr. Agha Shahi felt the conference must go beyond condemnation. It was largely at his initiative that a negotiating committee was set up to pursue the prospects of a settlement with all the parties to the conflict—including the insurgents and the Russians.

The conference laid down—and this still remains the framework of the settlement to which Islamic nations and the West are tied—that a solution must include the withdrawal of Soviet troops; guarantees for Afghans



tain its territorial integrity and the right of self-determination for the Afghan people.

The mission was cold-shouldered by both the Soviet Union and Kabul. The new Pakistani letter carefully omits any reference to the insurgents or the Russians who officially maintain that they are not party to the conflict. But it has been tacitly accepted by both sides that a political solution would be linked to Soviet troop withdrawals—hence, Moscow would in some way have to be drawn into negotiations.

Dr. Waldheim has already followed up Pakistan's proposal and attempted to initiate talks. But in his conversation with the Russians, he seems to have had no confirmation of what Mr. Smirnov told the Pakistanis. Moreover, the Afghans, through Mr. Anahita Ratebzad, a close colleague of Mr. Karmal, appear to have told the Indians that negotiations must follow recognition—a repudiation of their proposal of May 14.

The three British MPs in their conversations in Kabul also had the impression that the Afghan Government was eager for talks but that sitting down with Pakistan and Iran was taken by Kabul as implying recognition.

Western diplomats are unsure whether the Soviet Union has had second thoughts about waiving recognition or about getting involved in a dialogue about troop withdrawals that they have no intention of carrying out. It is whether they are anxious to give some impression of flexibility to avoid condemnation at next month's gathering in New Delhi of foreign ministers of the non-aligned.

Pakistan would like to see talks. Russian pressure on Pakistan continues to be intense, both through border violations and support to opponents of President Zia-ul-Haq. The economic and social pressures of accommodating 1.4m refugees are also great.

European Parliament learns how to play with fire

BY WALTER ELLIS IN STRASBOURG

SQUABBLES WITHIN the European Community have traditionally reached their greatest intensity around the negotiating tables of the Council of Ministers. Rivalries between governments are the stuff of Council debates, and arguments often come only after the most bitter exchanges.

The wrangling has now spread to relations between the Community's institutions. The European Parliament is viewed by a majority of the Council as a recalcitrant child. For the second year running, it has contented hostilities over the EEC budget, and the battle looks like joining the annual agricultural negotiations as a major event in each year's calendar.

In many ways the Parliament is a featureless body, whose 410 members have remained largely anonymous. Direct elections in June 1979 did little to alter this, and MEPs have been forced to

lead professional lives as little more than elected bureaucrats, tour guides and after-dinner speakers. Their frustrations were bound to spill over.

An official handbook of the Parliament's powers would be a slim volume indeed. It can sack the entire European Commission but not individual Commissioners, so that it must either take a hammer to crack a nut or else leave the nut alone. In practice, the nut has been left alone, except by bombast.

The Parliament must also be consulted on all EEC legislation and recently discovered, as a result of a ruling by the European Court, that it can hold up unwelcome laws by refusing to deliver an opinion. Most important, it must approve the annual budget and can amend both the global sum and the allocation of funds. It is this power which it is seeking to exploit for all it is worth.

In 1979, MEPs banded together in a mood of almost hysterical defiance and simply threw out the Council's draft budget. They said it was much

too heavily weighted towards agriculture and must permit more spending on regional aid, industrial re-training and energy research. The Council was stunned for a time but then recovered its nerve. The Parliament was out to pieces and sur-

rendered in disorder. To rub salt in the wounds, the Council even increased farm spending. A more subtle approach this year was necessary, too, because MEPs are driven by faction fighting and by the same rivalries, only slightly disguised, which affect the Council. Most members accept that the budget should be reformed, but many from outside Britain say this

they can impress together, they often seem gauche. Last month, during the crucial plenary session in Luxembourg, a budget battle evolved which many members either did not know about or else misunderstood. Some were even on their way home, thinking the hard work was over, on the Thursday when their sharper colleagues on the budget committee struck.

For the second year running, the European Parliament has opened hostilities over the EEC budget. In 1979, MEPs banded together in a mood of almost hysterical defiance and threw out the draft budget but were soon obliged to surrender in disorder. This year, they have tried a more subtle approach.

What the committee did was clever, even if it was stumbled upon half by chance. Taking advantage of the Council's re-opening of the 1980 budget to provide cash for victims of the Italian earthquake, they encouraged their colleagues to add on funds for two neglected areas of spending: the Social Fund and energy. The Council was prepared, at first, to give a little ground on this to show good faith but became distinctly hostile when the amount rose to 226m European units of account (£132m).

Ministers from France and West Germany argued, reasonably enough, that this new money would actually be spent in 1981 and said it was just a means of adding to the 1981 budget by illegal and underhand means. Belgian, Danish and Dutch Ministers agreed. Lord Carrington, the British Foreign Secretary, was not happy either but supported the Parliament to protest delays to the promised rebate of previous British over-payments. Italy and Ireland, which stand to gain most from

an enlarged budget, also went along with Parliament.

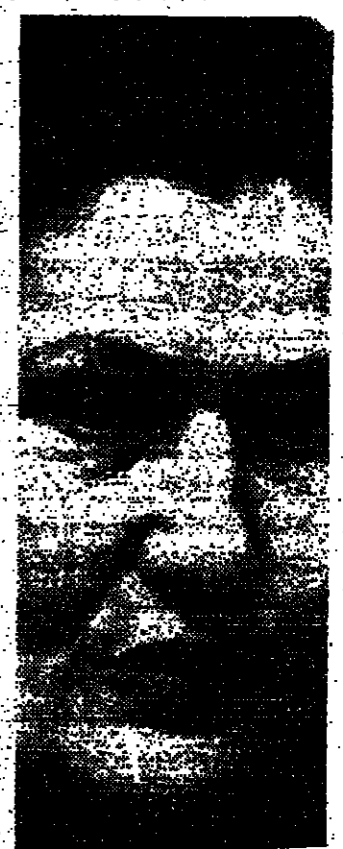
But if Paris and Bonn felt indignant in the face of this new ploy, they were enraged by the next move. Parliament, once again by the Budget Committee, argued that since the 1980 budget had been enlarged, the amount by which the 1981 version could rise had been proportionately increased. The extent to which each budget can exceed the limit of its predecessor is pre-determined, but here was a loophole and the Parliament dived in.

Suddenly there were last-minute additions to the regional and social funds, and the Parliament quickly voted through a final budget with financial provisions in excess of those agreed by the Council. Back in Brussels, an outright rejection of the new draft was made impossible by the stalling tactics of the UK, Italy and Ireland. Mme. Simone Veil, President of the Parliament—normally an extremely cautious politician—seized her chance and declared the 1980

supplementary and the 1981 budget officially approved.

The upshot is that a majority of Council members have informed the European Commission they will pay only what the Council had originally agreed for the 1980 supplementary budget and that, as far as they are concerned, the 1981 budget has yet to be adopted. The Commission, now under the direction of M. Gaston Thorn of Luxembourg, is left with little alternative but to take the matter before the European Court.

MEPs for their part are uncertain what to do next. They work for the settlement behind their own actions and back Mme. Veil if they are ever to be taken seriously, and yet they do not wish to be seen courting disaster. There is also, for many, pressure from national capitals to defend their country's interest. Unwittingly, they have rekindled the fires of constitutional revolt; they must be careful not to be engulfed in the flames.



Mme. Veil... seized her opportunity.

Begin refuses to discuss reshuffle

By David Lennon in Tel Aviv

MR. MENAHEM BEGIN, the Israeli Prime Minister, yesterday refused to discuss a proposed reshuffle of his Cabinet which had been suggested by the Minister of Housing as a possible way to avoid calling early elections.

Mr. Begin's attitude was interpreted as indicating that the Premier favours an early poll. The Minister, Mr. David Levy, believes that despite the resignation of the Finance Minister and the loss of the coalition majority in the Knesset, it is still possible for the Government to serve its full term until November.

This is seen as a desperate last-ditch effort to save the Government, which has become thoroughly unpopular and faces heavy defeat at the polls.

The Premier said on Monday that his decision on early elections would be made this week, after consultations with the coalition's members of Knesset. But he now appears willing to give his ministers more time to seek salvation and it is unlikely that any decision will be made before next Sunday's Cabinet meeting.

The Housing Minister claims that he has won the support of some independent members of Parliament. He said that 63 of the members of the 120-seat House are now willing to back Mr. Begin to continue in office. A junior Cabinet portfolio would be awarded to one of the Government's new backers.

The Premier is reported to be sceptical about the Levy plan.

His doubts may have been reinforced by the way incumbent Ministers are fighting over the Finance Ministry portfolio left vacant by Sunday's departure of Mr. Yigal Hurvitz from the Cabinet.

A final decision will be hard to avoid on Sunday because next week the Opposition Labour Party will be tabling a Bill in the Knesset for the dissolution of the House. The Knesset was also presented yesterday with a proposal by the coalition's Democratic Movement calling for June elections, indicating that it would not agree to prolong the Government's term.

Terry Povey reports from Tehran on a revealing debate in the Majlis over releasing the U.S. hostages

Metamorphosis of Iran's Moslem militants

IRANIAN leaders yesterday provided a revealing display of political life in the Islamic republic in an emotionally-charged debate in the Majlis (Parliament) over the motions on the hostage crisis.

The debate spotlighted many of the differences that will shape post-hostage Iran. Last month's militants emerged as this week's responsible leaders seeking a solution, only to find that their most bitter opponents had been their comrades.

The debate essentially involved the two wings of the Islamic Republican Party (IRP). The majority of the IRP, led by Ayatollah Mohammed Beheshti and Hojatolislam Hashemi Rafsanjani, speaker of the Parliament, has been taking the position that Iran has gained all it can out of the hostages, "so let's resolve it now."

A vociferous minority from within, however, clings to what it feels to be the true faith, the pure spirit of the Islamic revolution, under the slogan of "no compromise with the great Satan (the U.S.)."

Speaking first in the debate yesterday morning, was Dr. Hassan Ayat, one of the leaders of the uncompromising wing. He followed the daily reading from the Koran with a challenge on the need for urgency in discussing the hostages release.



STRANGE BEDFELLOWS: From left: Ayatollah Beheshti, Mr. Rafsanjani and Mr. Bani Sadr.



Setting the tone for the whole debate, he frequently interrupted others and clashed with the speaker.

"At the moment we have the U.S. under our thumb, but if we agree to this arbitration then they will turn the tables on us," Dr. Ayat said. "If we hurry this discussion we will be tricked."

Replying to Dr. Ayat, Mr. Mohammed Hadi expressed his surprise "to hear such things from one who claims to be so knowledgeable about parliaments all over the world."

A shouting match followed. "You have insulted me," exclaimed Dr. Ayat.

"No I didn't," said Mr. Hadi. "Yes, you did, and I demand the right to defend myself," came the reply.

Speaker Rafsanjani had little choice but to intervene.

But after the next speech, Dr. Ayat was back on his feet.

"If you just want to release the hostages, why don't you say so and get on with it," was the burden of his outburst.

"Please sit down and be quiet. I am not going to let

you disrupt this meeting," the Speaker said again.

Clearly the debate touched a raw nerve for Iran's Islamic revolutionaries. The supporters of President Abol-Hasan Bani Sadr hardly made a sound as the faction fighting shifted away from them to become an internal matter for the IRP.

By the end of the debate many in Iran would have been thinking that the liberal camp had suddenly found new converts among the ranks of the fundamentalists.

As the debate moved towards a conclusion, the most effective speaker in support of the motion, Mr. Hadi, returned once again to the rostrum. This time he challenged the basic premises behind the Opposition's case.

"Do you really think that taking 52 U.S. hostages is fighting imperialism? You must be dreaming! Do you think that they will give the Shah's property to you? This is another dream," he said.

"You are afraid of America," Mr. Hadi continued. "Otherwise you would say what it is you really want. You're always findings bits from the Koran to quote to suit yourselves, but I tell you that there is a section in it which says 'Don't be afraid of arbitration'."

Even after Islam's holy book was thrown at them, opposition members remained adamant. Heckling and interruptions rose to their highest level of the day. But Mr. Hadi maintained his challenge.

"Maybe you want to be very leftist and whatever they (the U.S.) say, you will oppose—well that's your choice. Maybe you all want to be slaughtered, but we should act for the good of the Imam, Islam and the nation."

Winding up the discussion, Mr. Behrad Nabavi, Iran's

hostage negotiator, told the assembly that the hostages were just symbols of Iran's stance and that "we have gained what we wanted" from them. At one stage he sarcastically asked the assembly members to "ply the poor American capitalists after all the blows that we have given them."

"We don't aim to let ourselves be tricked," said Mr. Nabavi, "but we cannot absolutely guarantee that this will not happen. The problems referred to arbitration might take two to three years and it will cost us money to go through with this. We may even have to rent a whole building at The Hague for all the cases that we will be involved in."

The final burst of spleen came as the debate was drawing to an end. Angry opponents of the motion denounced it as "a political game, just so that the Majlis can be said to have voted for the release of the hostages."

Dr. Ayat made one last attempt to prevent the passing of the motion but, following Mr. Nabavi's comment that his proposals would mean holding the hostages for a few years, he was voted down. Mr. Nabavi had the final word: "The Government wants to settle this in the next few days, one way or the other, either to free the hostages or to put them on trial."

Leftism has not been eliminated, says Deng

By Tony Walker in Peking

COMMUNIST PARTY members throughout China are studying an important speech by Deng Xiaoping, a vice chairman and China's dominant political figure, which lays down ground rules for the coming year.

The speech, a summary of which has surfaced in Hong Kong's left-wing Chinese language press, emphasises the twin themes of economic readjustment and the need to strengthen what is described as political and ideological work.

At the same time, Mr. Deng spoke of the need to strengthen party leadership. This was no doubt a reference to recent turmoil at the top of the Chinese Communist Party which has seen the almost certain departure of Hua Guofeng from the chairmanship.

The timing of Mr. Deng's speech was significant as it was given late last year in the midst of intense speculation about Mr. Hua's future.

Mr. Deng reportedly said the reform of party and state leadership was aimed at strengthening it. He said pointedly "leftism" had not been eliminated.

The speech is reminiscent of a "pep talk" by the vice-chairman in January last year which was billed as a blueprint for the 1980s. The speech, given the title "Decade of Great Tasks," was widely circulated among party members in China after it was delivered to large numbers of officials in the Great Hall of the People.

The importance attached to this latest speech of Mr. Deng is a further indication of his dominant position in the leadership.

Mr. Deng criticised economic errors of the past several years, saying: "In our economic work we failed to eliminate leftist thinking... and we failed to take resolute measures to overcome the imbalances in the national economy."

"The result of all this," he said, "is the greatest financial deficit in the history of the People's Republic of China. In future we must get a good grasp of readjustment and make sufficient retreat."

Mr. Deng criticised what he described as "certain current ideas" that political and ideological work is not needed and that everything will be all right as long as stress is laid on money.

Nujoma calls for economic sanctions

By Michael Holman in Geneva



Mr. Sam Nujoma, leader of SWAPO.

MR. SAM NUJOMA, President of the South West Africa Peoples Organisation (SWAPO), yesterday called for the United Nations Security Council to impose comprehensive economic sanctions against South Africa in the wake of the unsuccessful Geneva talks on a Namibian settlement.

The move was backed by the African front-line states, Nigeria, and the Organisation of African Unity.

Addressing the final session of the UN-chaired conference on the territory, Mr. Nujoma said that failure to reach agreement on a date for implementation of the UN plan was due to "South Africa's manifest intransigence and prevarications."

He expected the General Assembly, which resumes today, to "make appropriate recommendations on Namibia to the Security Council."

His demand was supported with a statement from the front-line states—Botswana, Angola, Mozambique, Tanzania, Zambia, as well as the OAU, Nigeria and Zimbabwe—all of whom have been represented here during the week-long conference which formally ended yesterday morning.

The demands came as no surprise, but the five Western members of the Security Council have little time in which to prepare their response. Indeed, the circumstances under which the conference failed have left them with few, if any, diplomatic weapons with which to counter the sanctions call.

Throughout, SWAPO has indicated its willingness to imple-

ment the UN plan and sign a ceasefire agreement in Geneva. But the wide-ranging South African objections, both to elements of the plan and particularly to the role of the UN itself, have surprised and angered Western diplomats. While they were not expecting a clear-cut agreement on implementation, they hoped that progress towards a date would have been made.

In his final address, the conference chairman, Mr. Brian Urquhart, deputy to Secretary-General Dr. Kurt Waldheim, described the failure as "a great opportunity missed," and in the name of Dr. Waldheim appealed to South Africa's leaders "to reconsider their position at the earliest possible time."

But while African and



Mr. Sam Nujoma, leader of SWAPO.

SWAPO strategy is now concentrated on economic sanctions, there seems no clear way forward for the West to pursue its diplomatic efforts to resolve the dispute.

ward for the West to pursue its diplomatic efforts to resolve the dispute.

Less power for the people.

Energy industry forecasts bleak future for industry.

PRESIDENT CARTER'S NEW ENERGY BILL THROWN OUT BY CONGRESS

THE TEN PRECARIOUS YEARS WHEN THE WEST WILL BE MOST VULNERABLE

ENERGY CRISIS—WHERE TOMORROW?

Sun sets on Solar Energy.

AND NOW FOR THE GOOD NEWS. COAL.

The bad news you can read in the newspapers any day of the week. It can best be summed up as: over the next twenty years our energy problems can only get worse.

Despite new discoveries like the North Sea, availability of oil for industrialised countries is certainly not going to increase, and will, in fact, diminish from now because of uncertainty about the Middle East — by far the biggest source of supply.

The good news, like most good news, hasn't received quite so much publicity. It is that Britain has coal reserves which, based on present mining techniques and present levels of production, will last for at least another three hundred years; with the improvements in technology that will undoubtedly come during that time, the reserves will last very much longer.

Where will your company be in 300 years time?

We are sure we don't have to remind you of the three words you can read in the newspapers almost any day of the week: Middle East crisis. We'll leave it to you to conjure up pictures of soaring oil prices, unreliable supplies and increasingly tight stock.

In fact, there is now no concrete argument for not installing coal fired boiler equipment, particularly if your company is planning to be around for some time.

Maybe even in 300 years time. And isn't that important?

Coal: be prepared to be surprised. There have been some very impressive advances in boiler technology, combustion, as well as methods of coal and ash handling.

The whole operation may be very different to how you imagine.

It's extremely efficient. It's now possible to operate in excess of 80% thermal efficiency with modern coal fired plant, which makes coal firing both very economic and competitive.

It can be completely automatic with the modern coal and ash handling equipment now available. This permits coal fired boiler houses to be light, airy and clean.

And it's very up-to-date. Over the years extensive research and development programmes have been carried out. The most recent development is fluidised bed combustion. This technique provides higher heat release rates, which means boiler sizes, and therefore capital costs, may be reduced.

It also means that a wider range of coal can be burned and with combustion taking place at a temperature below the melting point of ash, boiler availability is greatly extended.

With all these benefits it seems a waste for industry to consume premium fuels like oil and gas when there is plentiful and more economic coal available.

Companies that can see beyond the next 20 years.

Many far sighted companies are using coal fired boilers already. For example, John Sanders, Chief Engineer at Hatpoint, says: "We are experiencing fantastic savings whilst many around us are facing problems with other fuels. We selected coal as our main fuel because we had coal burning experience and we could see problems arising with other fuels."

Hatpoint have installed a completely new boiler house to provide space heating and process steam.

The new boiler house and its four multi-fuel boilers are fired by coal. Hatpoint have found it to be economic, modern, efficient and spotlessly clean.

The four new GVB Vakos multi-fuel boilers burn weekly no more than 215/220 tonnes, which compares with the four old boilers' total of around 500 tonnes.

The other savings, apart from a much reduced annual fuel bill, has been the reduction in manning levels. The whole system is virtually automatic.



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The wide range of coal fired boiler plant and equipment is designed to meet every conceivable need, from power generating requirements to small units in commercial buildings.

If you would like one of our fuel engineers to visit and give you free, expert advice, please contact the NCB Technical Service.

We can advise you on making the best use of your existing plant, provide information about new equipment and techniques, tell you how much new equipment costs and what savings it can achieve.

It's worth contacting us now. So that you can help your company to live later.

Send to: The National Coal Board, Technical Service Branch, Marketing Dept., Hatport House, Grosvenor Place, London SW1H 7TA.

Name _____

Title _____

Company _____

Address _____

AMERICAN NEWS

Bitter cold hits supplies of fuel and orange crop

BY DAVID LASCELLES IN NEW YORK

BITTER COLD weather gripping much of the U.S. since the New Year is having a big economic impact.

In the past couple of days, the coldest weather in 70 years has hit Florida and destroyed possibly one-fifth of the orange crop. In some parts of the sunshine state, temperatures dropped well below freezing, coating the budding oranges with rime despite the efforts of farmers to protect them with hot air blowers.

The full extent of the damage will not be known for several weeks, but the price of orange juice on the U.S. Commodity Exchange has jumped the maximum permissible amount in the past two days.

The culprit is a powerful cold front moving south from Canada which has pushed temperatures more than 40 per cent below their seasonal levels, to well below zero Fahrenheit

in many parts of the eastern U.S. The latest forecast is for a slight let-up in the next few days, but this will increase the chance of snow. The long-range forecast is for below-normal temperatures for the next 30 days.

The cold has sent demand for fuel and electricity rocketing. Gas consumption has hit a record in the New York area and thousands of apartment dwellers in the city have been without heat for days. In Massachusetts, residential users of gas were told to keep their thermostats at a maximum 63° during the day to conserve supplies. Shortages have also been reported in Pennsylvania.

Oil supplies appear to be holding up better. However, the fuel industry has warned that while there is no danger of a major shortage yet, the surge in consumption is bound to push up prices. It may also lead to

an increase in oil imports, offsetting the decline achieved last year.

Although most of the region is under several inches of snow, the cold has prevented it melting, creating serious water shortages in both cities and rural areas.

In farming areas there are fears that the winter wheat harvest could be affected by the dryness of the soil. But the cold and snow have brought a boom to the winter sports industry in the east at least. Skiing resorts in New England report high attendance and sales of winter equipment and clothing are strong.

Ironically, the unusual weather pattern has brought unseasonably warm weather to the western U.S. California is basking in the 60s and 70s. The western ski resorts are suffering one of their worst seasons

Salvador aid spurred by fear of Soviet links

By David Buchanan in Washington

THE Carter Administration's confirmed decision to resume military aid to El Salvador is based on evidence that left-wing guerrillas are using large quantities of Soviet-made weapons in their offensive to topple the ruling civilian-military junta.

The controversial move, which will give the government in San Salvador \$5m to pay for, among other items, two transport helicopters and their upkeep by U.S. technicians, reverses the decision to halt U.S. aid in December after the murder of four U.S. nurses and missionaries.

Washington was then angered because El Salvador's forces appeared to have been involved in the murders, though no conclusive proof could be found. Since then, more U.S. citizens have been killed in El Salvador, and economic aid to the central American country was restored following junta assurances that its forces would be kept under tighter control.

The change in the Carter Administration's position stems from reports of an infusion of Soviet-made weapons to the guerrilla movement fighting against the U.S.-backed junta. The last Salvadoran Government transport helicopter is reported to have been destroyed in fighting at the weekend.

The latest offensive, started by the guerrillas at the weekend, is believed to be prompted by their fears that the Reagan Administration will greatly increase military aid to the Government.

'Less need' to use law against foreign bribes

BY OUR WASHINGTON CORRESPONDENT

STRICT enforcement of the 1977 anti-foreign bribery law has become less necessary as U.S. companies have increased internal checks on export sales practices, according to Mr. Harold Williams, chairman of the Securities and Exchange Commission.

The commission is responsible for administering the Foreign Corrupt Practices Act, passed by Congress after disclosures in the early and mid-1970s that many U.S. multinational companies had used secret funds to bribe foreign

public officials to secure sales. Mr. Williams, who is resigning from the Commission on March 1, said in a speech to chartered accountants that U.S. firms had generally improved internal controls to prevent repetition of foreign pay-offs, by taking more independent directors on to their boards and setting up more internal audit committees.

The U.S. business community has complained that the 1977 Act is too vague and has cramped their export style in the use of sales agents abroad.

Alberta tar sands project expansion suspended

BY VICTOR MACKIE IN OTTAWA

EIGHT OF the nine owners of Syncrude Canada, operators of the second tar sands mining venture in Alberta, have announced suspension of a C\$250m (£70.5m) expansion programme because of the negative impact of the federal budget and energy programme.

The announcement was made in Calgary by Mr. Mike Bregazzi, chairman of the Syncrude management committee on behalf of all owners except Petro-Canada, the state-owned oil company, which holds a 12 per cent interest in the consortium.

The existing plant has capacity of 125,000 barrels of synthetic oil daily, although it is operating well below this because of technical troubles.

The expansion would have brought capacity to nearly 200,000 barrels daily. Syncrude argues that the C\$250m (£70.5m) expansion is a barrel price fixed by Ottawa, with indication given to the consumer price index as provided under the energy pro-

gramme, plus a new federal tax on oil revenues, make the expansion project uneconomic.

The energy programme will also cut cash flows to the oil-company partners in Syncrude, reducing their capacity to finance the expansion, which would have added a third production stream at a cost of several hundred million dollars.

The suspension will last until energy pricing and other issues outstanding between Ottawa and Alberta are resolved.

David Buchanan adds from Washington: The U.S. Energy Department yesterday announced that it had chosen two Colorado oil shale projects—proposed by Union Oil and the Tesco Corporation—and a coal-to-petrol conversion project in Tennessee, as candidates for help from its \$3bn departmental fund to boost synthetic fuels.

This is in addition to the \$250m which the Synthetic Fuels Corporation has on hand to subsidise alternative fuels.

Canadian warning over monarchy

BY ALAN FRIEDMAN

DEBATE OVER Canadian constitutional changes moved on to a new plane yesterday when Mr. Richard Hatfield, Premier of New Brunswick, gave warning that the constitutional monarchy in Canada would be seriously threatened if Westminster did not move swiftly to approve the package proposed by the federal Government of Mr. Pierre Trudeau.

Mr. Hatfield, speaking in London, urged the Westminster Parliament to respect Canada's

sovereignty and to approve "patriation" of the 1867 British North America Act without delay. He voiced his support for Trudeau-sponsored amendments, including extensive rewriting of the proposed charter of rights, announced this week by Mr. Jean Chretien, Canada's Justice Minister.

Mr. Hatfield, who is one of the few provincial premiers to support Mr. Trudeau's constitutional proposals, said the ultimate consequence of a rejection by Westminster could be the view in Canada that "we

are not going to accept a monarchy who does not live in our country."

Victor Mackie adds from Ottawa: Mr. Chretien declared yesterday that there would be no more negotiations between the federal and provincial governments on changes to the constitutional package.

Mr. Chretien, who was speaking in reporters before a weekly meeting of the federal caucus, said: "We have passed the stage of bargaining. They [the provinces] have made their points and we have responded."

WORLD TRADE NEWS

Volvo appeals against fine in Peru

By Dorcas Gillespie in Lima

VOLVO'S Peruvian subsidiary Volvo del Peru is appealing against a fine of \$450,000 (£195,600) which it has been ordered to pay by the Peruvian Government for failing to use an agreed quota of locally made parts in the assembly of its trucks and buses.

Volvo said it had not contemplated fines and claimed that the Government has repeatedly violated the contract.

Volvo, which has assembled vehicles in Peru since 1976, signed a contract in 1974 which gave it exclusive rights to sell heavy trucks and buses in Peru, including Bolivia, Ecuador, Colombia and Venezuela.

Volvo said, however, that the Government has repeatedly violated the contract and since 1979 has authorised the import of all vehicles. In some cases it has given specially reduced import duties of 25 per cent instead of the normal 60 per cent.

Volvo's contract requires the company to use 60 per cent locally produced parts as of 1979. It is now using 52 per cent.

Volvo said that neither Volvo nor local companies which produce parts had been prepared to invest in producing additional parts when its exclusivity was not respected, and that the company had been negotiating for over two years to change operating conditions.

Volvo was short-listed in June last year to assemble heavy trucks under a heavy-duty plan aimed at developing an Andean regional automotive programme.

In July, 1979, four assembly plants operating in Peru, including Volvo, were fined for not complying with local import quotas between 1973 and 1977. At that time, Volvo paid the equivalent of a \$110,000 fine.

Companies assembling in Peru include Toyota, Datsun, Volkswagen and Chrysler as well as Volvo. Volvo assembled approximately 1,000 vehicles in Peru this year.

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Holiday flights price war looms

By Lynton McLean

A PRICE WAR is expected on flights between London and Miami after Air Florida yesterday launched plans to undercut by up to £141 the high season economy fares of BA and Pan Am from April 4, when Air Florida starts its own services.

The route is served by British Airways, Laker and Pan Am, but under the air services agreement between Britain and the U.S. each country is allowed two national airlines operating between Gatwick and Miami.

The one-way economy class fare on Air Florida, with no advance booking, will be \$99 in the off season and £119 in summer.

Air Florida claimed yesterday the low-season fare was £31 less than that offered by Laker. The difference in fact is only £22, with Laker's low-season economy fare standing at £107 and the high-season fare at £129.

The proposed Air Florida economy fare is £118 cheaper in the low season than that offered by BA and Pan Am, and is £141 cheaper than the fare offered by these airlines in the high season.

The airline also plans to undercut BA's and Pan Am's first-class fares by £100, to offer a new low-season fare of £320 and a high-season first-class fare of £399.

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Tokyo backs reactor sales plan

BY CHARLES SMITH, FAR EAST EDITOR IN TOKYO

JAPAN'S Ministry of International Trade and Industry (MITI) is actively promoting work on the development of "small" nuclear reactors which could be "mass produced" for export besides meeting some specialised needs within Japan.

MITI has obtained a budgetary appropriation for a feasibility study on small reactors which will start in April. Work on conceptual design will follow with the possibility of actual manufacture by one or more of the main reactor makers in 1984 or earlier.

Small reactors with a 200,000 Kw capacity are in demand in many parts of the developing world where electricity generating needs are too small to justify the installation of large reactors (with generating capacities of up to 1,100 Mw). They also have a potential use as suppliers of

power to "power-intensive" industries such as paper, chemicals and metals processing.

Japanese reactor manufacturers took relatively little interest in small scale reactors until last summer when five companies sent representatives to an international conference on the subject in Uruguay, at MITI's instigation. Since then interest in the subject appears to have picked up rapidly. Certain Japanese companies, such as Fuji Heavy Industries and Hitachi Shipbuilding, already have technical exchange relationships with European heavy engineering companies which have done work in the small reactor field.

Among the "big three" Japanese reactor manufacturers, Hitachi (not to be confused with Hitachi Shipbuilding) is "going it alone" in the development of a design for a small size boiling water reactor

(BWR). Hitachi says its small reactor would be intended solely for domestic consumption. Japanese Government officials suggest, however, that the ultimate objective of the small scale reactor programme would be to gain export orders, although the first stage of the programme would focus on the home market.

No Japanese reactor manufacturer has yet gained an export order for a nuclear reactor, although components have been sold abroad in modest amounts. The large sums sunk into the development of the Japanese nuclear industry make it highly desirable for the industry to export.

Small nuclear reactors might be more economical to build than large reactors as they could be built to prefabricated "modular" designs in factories, rather than constructed on site. They would probably be marginally more expensive to

operate than large reactors, but since the cost of electricity produced from nuclear reactors is approximately half that of power from oil-fired power stations (as in Japan) a marginal increase in cost might not matter.

A more serious problem concerns the question of public acceptance. Small reactors in urban areas or close to factories could be harder to "sell" to the general public than larger reactors sited in remote areas, officials fear. To try to gain acceptance by claiming greater safety for small reactors than for large ones could backfire against the building of more large scale reactors which remains Japan's top priority.

Robert Gibbons writes from Montreal: The state-owned Atomic Energy of Canada, is opening an office in Mexico City to help develop projected sales of Canadian nuclear reactors to Mexico.

Turkish exports reach record

BY METIN MUNIR IN ANKARA

TURKISH exports in the last quarter of 1980 grew by 75 per cent over the same period in 1979, causing some economic observers to conclude that the Government's new export encouragement policies may be beginning to yield results.

Exports in December were \$500m (£210m), a record, and 30 per cent higher than the figure of the corresponding month in 1979.

"This is the most important development of 1980," a senior civil servant said.

The export figure at the end of the first quarter was about \$1.1m.

Economists attribute the increase to export-orientated policies as well as to political stability which followed the takeover by General Kenan Evren, Chief of Staff, last September.

Total exports in 1980 were \$2.8m, 25 per cent higher than in the previous year. Imports were \$6.8m.

Turkey is planning to raise exports to \$3.5m this year and imports to \$9bn. To bridge the trade deficit, Turkey is planning to raise \$3.4bn from Western governments and Saudi Arabia.

The government believes it will have no difficulty in securing the credits, the bulk of which it hopes will come from the Organisation of Economic Cooperation and Development (OECD) states.

Emphasis will be laid on increasing capacity in industry with a view to increasing manufactured exports

UK machinery exports 'rising'

BY HAZEL DUFFY, INDUSTRIAL CORRESPONDENT

EXPORTS of machinery from the UK were rising last year in spite of the problems of the high pound, according to the latest analysis of Customs and Excise figures compiled by Freight Information Services.

The analysis, which has been done in terms of tonnage, shows that the monthly average of machinery exports was 4.3 per cent higher between January and October, 1980 against the whole of 1979.

The equipment in the machinery sector includes power generating, specialised, metalworking, and general industrial machinery, office

machines and related products, telecommunications and related equipment, and electrical machinery.

More than half of the 109 countries monitored in the analysis were taking a greater tonnage of British machinery last year than 12 months previously, including such key markets as France (1980 average=13,403 tonnes; 1979 average=12,126 tonnes), West Germany (12,391 against 11,624) and South Africa (8,144 against 4,454).

The average monthly tonnage taken by all the EEC countries in 1980 was 66,968, compared with a monthly average of 66,549 in 1979.

The Middle East and North African sub-total also showed an increase, from 32,026 tonnes to 29,963 tonnes, although in 1978 the monthly average had been much higher at 37,519. The U.S. monthly average was also down at 18,094 tonnes, last year against 19,249 in 1979 and 19,618 in 1978.

The analysis shows that British industry is clawing back some of the Iranian market, the 1980 average monthly machinery exports being 2,779 tonnes, compared with 1,470 tonnes in 1979, but 6,289 tonnes in 1978.

Kevin Rafferty, in Calcutta, reports on a UK bid for mining orders

Seeking a slice of £1.4bn India deal

A TEAM of British mining equipment makers is to visit India for three weeks at the end of the month to try to capture a large slice of the almost £1.4bn which India is scheduled to spend over the next 10 years on upgrading its coal mining industry.

Up to a quarter of the total spending will go on foreign orders and Britain hopes to win at least a third of these.

However, there will be keen competition which will have political as well as commercial dimensions. Of the Western industrial countries, Britain and West Germany have long connections with India's industry. Now France is pushing for a slice of the new business, and Japan is trying hard to get in.

But the fiercest competition may come from Eastern Europe, especially from the Soviet Union and Poland. The Soviet Union is expected to play the largest part in opencast coal mining, the share of which in India's total coal production is expected to rise from 25 to 45 per cent. Moscow does not have the technology to supply the latest and biggest walking draglines, in which the leaders are U.S.,

German and UK concerns, but will probably supply most of the rest of the imported equipment for opencast expansion. Moscow also has the advan-

underground machinery, but Polish prices are lower and Warsaw will probably offer better deals in which capital goods can be offered in exchange for Indian tea and jute.

Ransomes and Rapier, the Ipswich draglines manufacturer, is to supply the main components for two machines to Heavy Engineering Corporation of Ranchi, India, in an £8m contract. The deal also involves a technical collaboration agreement with Heavy Engineering. The major part of the first of the two machines will be built at the Ransomes works in Sheffield and Ipswich, while some parts will be made by Heavy Engineering within the terms of the technical agreement. Over the longer term Ransomes will be transferring knowledge for Heavy Engineering partially to make draglines in India and Ransomes will train Indian technicians in the UK.

change for Indian tea and jute. The British coal industry, however, has the advantage that the Indian authorities have been most impressed by recent studies of the Indian coal industry by British consultants from the Coal Board. Britain is to design three new pits for India in the Bihar and West Bengal coal belt.

Indian coal production has stagnated about the 100m tonnes a year mark. The industry has been demoralised by poor equipment, bad management, political interference, corruption and gangsterism.

But India has the world's fourth largest coal reserves and the Government plans to raise output to 200m tonnes a year by 1990 and to 400m tonnes by the turn of the century.

The British mission of about 25 members will be from the Association of British Mining Equipment Companies and will be led by Mr. Clive Mason, the association's president. Among the team will be a financial adviser from Lazard Brothers.

The mission will arrive in Delhi at the end of January and will hold talks in the Indian capital as well as touring the coalfields extensively.

A number of the companies represented in the mission already have links with India, including collaboration agreements with local companies. Gullick Dobson, for example, has an arrangement with Jessop and Dowling International with the Mining and Allied Machinery Corporation.

THE REAGAN CABINET

No clear victory for the Right

BY JUREK MARTIN, U.S. EDITOR, IN WASHINGTON

THERE IS a cloud of suspicion, as yet no larger than the proverbial man's hand, that the surprising aspect of Mr. Ronald Reagan's Administration is that it will be unsurprising.

This is intuition, and takes no account of the exigencies, domestic and foreign, with which the new Government may be faced and which may force

policies on it. It is based on no more than a possibly flawed reading of the nature of the incoming Cabinet and such secondary-level officials as have been named so far and of the necessarily diplomatic testimonies that these men have given in their confirmation hearings.

It takes no account of the

influence or personality of the President-elect himself, simply because, since November 4, he has been all but politically invisible. He has regularly visited the butcher's, barber's and dentist's and has been to Washington twice and seen all the right people. But his sentences can be counted on the fingers of one hand—apart from a signed article in last week's Wall Street Journal, which was only a pragmatic version of the basic campaign speech.

He has, it seems, been simply enjoying his last weeks of freedom before the long grind. If he has been certain extreme opinions imputed to his wife. What he has brought forth is a Cabinet because so many prominent Republicans declined to join it, it cannot be described as a Cabinet of all the talents. In fact, it defies easy definition. It mixes old and new hands, the old and New Conservatives, the known and the unknown. It clearly has a business orientation, but that is typical of Republican administrations.

If unease is apparent, it comes naturally enough, from

Democratic liberals and from the more doctrinaire conservatives. While consoling that the likes of Mr. James Watt and Mr. David Stockman have been chosen for Interior and the Budget Office respectively, the Right is less enamoured with the presence of establishment financiers, like Mr. Donald Regan at the Treasury, or Republican "retreads" like Mr. Caspar Weinberger at Defence, especially when the latter's talent for budget cutting seems, to them, misplaced in the one

agency which will have more money to spend.

The Right's discontent appears to be rising as some of the key sub-Cabinet policy-making slots are filled. The elaborate and expensive transition effort was well staffed with New Right ideologues, but few of them are being rewarded for their efforts.

As soon as he was nominated to be the next Secretary of State, Mr. Alexander Haig told the foreign policy transition team that it was no longer required. Mr. Weinberger, whom the Right had hoped to balance with a deputy more to their liking, put his foot down and got an old associate, Mr. Frank Carlucci, as his Number Two.

On the economic side, Mr. Stockman has a soul mate at the Treasury, where Mr. Paul Craig Roberts, author of many a Wall Street Journal editorial on the virtues of the unfettered free market, is to be an Assistant Secretary. About the next, however, there is more than a touch of the conventional, allied with experience.

Mr. Beryl Sprinkel and Mr.



President-elect Reagan with the outgoing Secretary of State, Mr. Alexander Haig, during talks at the State Department.

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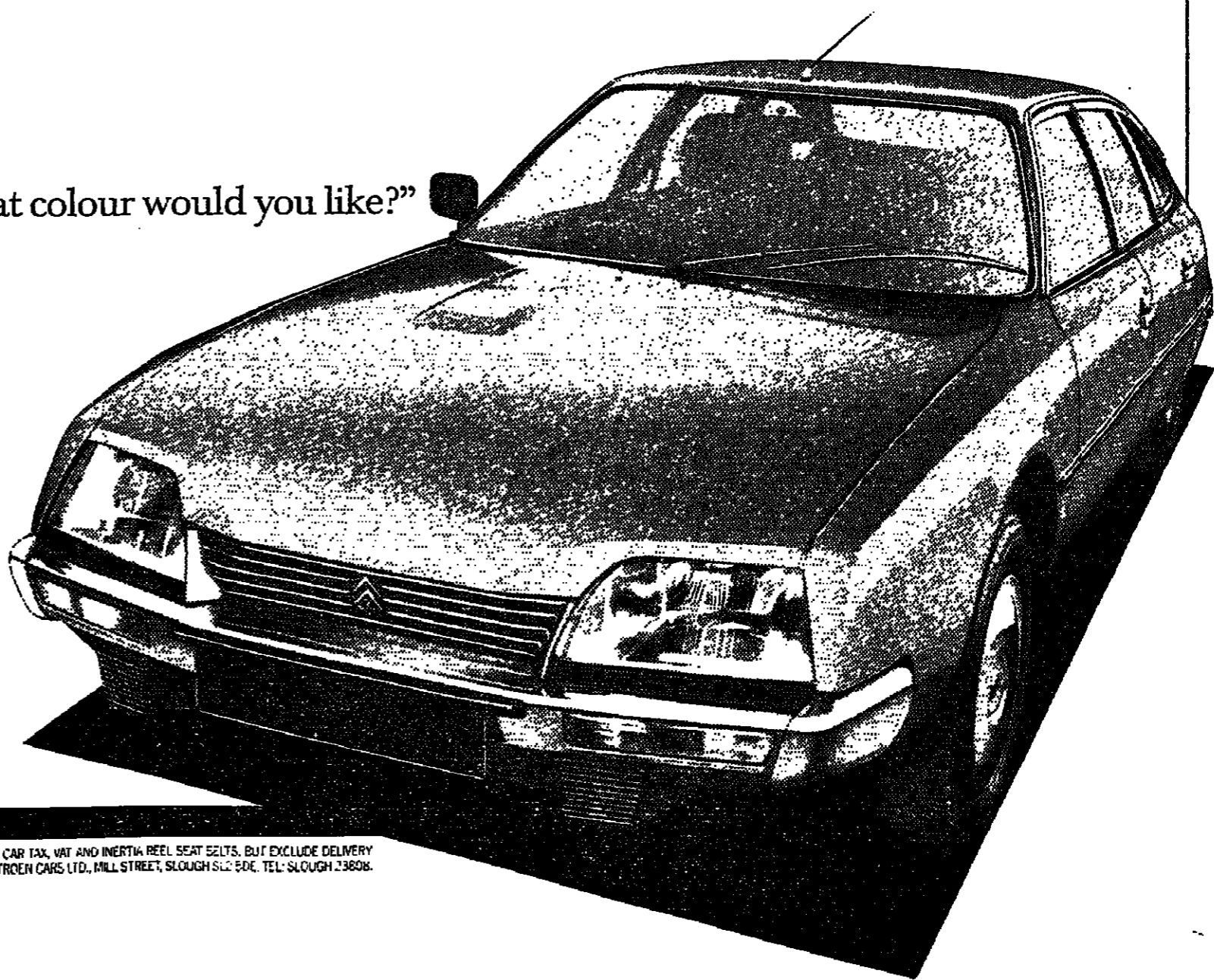
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UK NEWS

Norwegian-sector gas dispute escalates

BY RAY DAFTER, ENERGY EDITOR

THE British Gas Corporation's failure to obtain fresh supplies of gas from the Statfjord and Heimdal fields in the Norwegian sector of the North Sea is expected to spark intense diplomatic and political negotiations.

It became clear last night that the UK Government has not given up hope of the gas being landed in Britain.

The decisions of the Statfjord and Heimdal consortia to export their gas to the Continent have still to be ratified by the Norwegian Cabinet and Storting (Parliament). In the interim weeks, the UK Government and British Gas will probably emphasise the economic attractions of the UK bids.

In London yesterday it was said that the Norwegian Government, Statoil, the Norwegian State oil corporation, might have to subsidise construction of a

pipeline to carry the gas to the Continent.

It was also said that the Continental buyers were proposing a hardship clause which could result in a lowering of tariffs in marketing conditions.

But details of pricing negotiations, which came to light yesterday, also indicate that British Gas may come under pressure to pay high rates for fresh supplies from field developers in the UK sector.

British Gas is understood to have bid a record price of \$3.75 a million BTU (British thermal units) for gas from the Norwegian portion of big Statfjord Field.

This price was bid at the wellhead, exclusive of transportation costs. It was British Gas's intention to feed the supplies into a UK gas-gathering pipeline network.

A Continental consortium, representing Dutch, Belgian, French and German interests, is thought to have bid a delivered price of \$5.50 per million BTU. This, it was reckoned, equated with British Gas's \$3.75 offer when transportation costs were considered.

However, the Continental bidders — Gasunie, Distrigas, Gaz de France and Ruhrgas — offered an escalation clause based on the whole delivered price rather than just the wellhead value of the fuel.

Even so, some partners in the Statfjord consortium were worried that the cost of the new pipeline might be greater than estimated by Statoil, about £1bn, and as a result the basis of the Continental deal would be undermined.

Statoil, which supports the concept of a Norwegian gas-

collection system, offered to buy the gas from its partners in Statfjord at a wellhead price in line with the British Gas and Continental bids.

This offer has led those in the UK Government and British Gas to warn that Statoil may end up subsidising the pipeline project. It was said in London that £1bn seemed a modest estimate for a major trunk pipeline. The UK gas-gathering system is costing £2bn.

Statoil has said that the Norwegian line could not be justified without gas from Heimdal and the block 34/10 discovery. As a result, British Gas is understood to have offered an even more attractive price in order to entice the sellers of Heimdal gas.

British Gas negotiators are thought to have bid a delivered price of between \$4.40 and \$5

a million BTU. Also British Gas was willing to accept deliveries at a fairly constant, higher-than-usual rate.

But again British Gas was outbid and the Heimdal consortium accepted a counter-bid from the Continental consortium. There was little difference in the counter-offers.

In the international gas industry yesterday it was felt that political considerations might also weigh in favour of the Statfjord and Heimdal gas going to four Continental countries.

It was also recognised that by chasing the Norwegian gas with such attractive offers British Gas had laid itself open to some tough negotiating with companies on the UK side of the North Sea wanting to exploit gas reserves.

Directors prefer BL cars, says survey

By John Griffiths

BL CARS are clear favourites with UK company directors, according to a study published today. It finds that 14 per cent of all directors run Rovers, 12 per cent Jaguars and 12 per cent Fortis.

The report, produced by Reward Regional Surveys in partnership with the Institute of Directors, shows a big gap between these three and the rest.

BMW and Volvo are each chosen by 5 per cent of directors, and Mercedes and Audi by 3 per cent. BL's Austin/Morris/Triumph models are driven by 2 per cent of directors — the same figure as for Rolls-Royce, Vauxhall, Peugeot, Citroën and Renault.

Company chairmen show a marginal preference for Jaguars and Daimlers — 12 per cent, against 10 per cent for Rovers and Fortis.

The study finds that 98 per cent of executive directors have a company car, and 10 per cent have two.

The managing director does best when it comes to having his private mileage paid for: 69 per cent, against 67 per cent for chairmen.

Directors' Rewards, Reward Regional Surveys, 1 Mill Street, Stone, Staffs.

See Jobs Column, Page 10

Perkins was offered 'substantial funds'

BY HAZEL DUFFY AND JOHN ELLIOTT

THE National Enterprise Board offered to inject substantial funds into Massey-Ferguson's Perkins subsidiary in the UK three years ago but the deal fell through because a price could not be agreed.

This initiative, which could have changed the course for part of the troubled company's UK operations, was revealed last night by Sir Leslie Murphy, former NEB chairman.

Sir Leslie was delivering a lecture in London on the NEB and cited the Perkins initiative as an example of the board's attempt to develop an industrial strategy. He linked this with an outspoken attack on Sir Keith Joseph, Industry Secretary, for his lack of interest in industrial planning and in the NEB.

Sir Leslie acknowledged that the NEB had failed in its attempt to develop a strategy with Massey-Ferguson.

"We had many discussions with that company three years ago because we realised that Perkins was being starved of the capital it needed to develop its business."

"Eventually we proposed a major injection of funds into Perkins in return for up to 51 per cent of the equity, but we could not agree on the price."

Although Sir Leslie did not go into the details, Government officials are known to have been concerned for some years about the weakening position of Perkins, which is in need of substantial modernisation.

in certain sectors of its Peterborough plant. The company is one of the world's leading independent engine manufacturers and occupies an important position in the British engineering industry, both as a major customer for component manufacturers and as a big exporter.

Officials hope the Massey-Ferguson rescue package being negotiated among the group's bankers will include assurance that the UK-based activities of Massey-Ferguson will receive investment priority over the parent company's activities in North America and other parts of the world.

Perkins planned to invest about £40m in 1980 and 1981, most of which was to be generated from its own resources, with the balance coming from Massey-Ferguson.

Last year, however, proved difficult for Perkins. The high level of sterling forced the company to price its exports (around 70 per cent of its business) at levels which brought in little or no profit. It is unlikely that Perkins could have made up the shortfall from its parent company which lost heavily last year.

In his lecture to the Royal Institute of Public Administration, Sir Leslie said the Government should develop an "effective industrial strategy."

"The NEB should play a role in this, even though its record with companies like Massey-Ferguson under the last Government had not been generally successful."

Wiggins Teape to shed 330 jobs at three plants

WIGGINS TEAPE, the BAT Industries paper-making subsidiary, plans to reduce its UK workforce by about 330 over the next few months. The reduction will be implemented through a mixture of natural wastage and some enforced redundancies.

Wiggins Teape has managed to weather the recession in the UK paper industry better than most but its decision to declare redundant some of its total of 10,000 workers reflects the plight of the industry.

About 150 jobs will be lost at Samuel Jones in Huntingdon, Cambs., which employs 800 people making adhesive tapes and labels. Another 120 jobs (just over a fifth of the workforce) are to go at Wiggins Teape Paper Mill at High Wycombe, Bucks., which makes paper for photographic prints. And at Wiggins Teape's headquarters in Basingstoke, Hants., 60 jobs will be cut.

GKN is to close its axles plant at Newton Abbot, Devon, in the autumn, putting 400 out of work. The axles are used mainly in construction equipment and 80 per cent of output

is exported. The company blames declining markets and the strength of sterling for the decision.

The plant has lost £1.7m over the past three years. It is the second GKN closure this year. Last week the company announced that 480 jobs are to go at its fastenings plant at Aston, Birmingham.

Nearly half the workforce of Domestic Industrial Pressings, of Ilkeston, Derbyshire, is to be made redundant next month. The plant, which makes industrial and domestic gas heaters, has been working only one day a week. After 240 jobs are shed, the remaining 260 workers are due to return to a five-day week.

Samuel Jones Repairs at North Shields is to make 30 boiler-makers redundant. Shop stewards were told of the losses yesterday, and notices are expected to go out immediately.

More than 900 workers at Metal Box in Poole, Dorset, start a four-day week on Monday with some departments working only three days a week. A shortage of orders is blamed.

Waste demand 'to fall'

FINANCIAL TIMES REPORTER

A FURTHER big fall this year in the consumption of waste paper has been predicted by the joint waste paper committee of the British Paper and Board Industry Federation and the British Waste Paper Association.

In the closing months of 1980, the committee says, demand continued to hit the paper and board industry.

In the second half of the year the fall was "more severe than in the disastrous year of 1975."

October, traditionally the peak month for waste paper usage, proved one of the worst, with demand nearly 10,000 tonnes-a-week down on the same period in 1979. In November stocks were still high, totalling about five weeks' supply.

Last year saw the closure of more than a fifth of the paper industry's capacity at a cost of £500 jobs. Further cuts are likely.

The committee says waste paper demand this year could be 500,000 tonnes down on the 1979 peak of nearly 800m tonnes.

The fall in demand has already caused the closure of merchants' and local authority collection depots.

Friends of the Earth conservationist group said yesterday the selling price of waste paper had fallen from about £25 a tonne in 1979 to about £2.

Like many charities, it relies on paper recycling for a majority of its funds but says that it is no longer economical to collect waste paper.

Textiles output down 5% in third quarter

BY RHYS DAVID, TEXTILES CORRESPONDENT

OUTPUT in the textile industry fell sharply in the third quarter of last year, and there are signs of a slowing down in the sector's exports.

The latest figures from the Textile Statistics Bureau in Manchester show that from July to September—a period which saw a large number of mill closures—the industry's output fell 5 per cent on the second quarter, and stood almost a fifth down on the same quarter in 1979.

The decline was substantially greater even than this at the start of the production chain as manufacturers further down-stream ate into stocks to conserve funds.

The weight of man-made fibre, cotton and wool consumed in the third quarter was down an unprecedented 38 per cent in the same period a year earlier—a fall which helped to precipitate ICI's announcement of major cuts in its fibre-making operations.

The collapse in output is partly the result of major destocking by retail groups which

have been reacting to declining consumer sales. Imports have continued to increase their share of the market though the volumes landed have fallen because of weak UK demand.

Britain's textile exports, which were running ahead of 1979 in the first six months of last year, fell 3 per cent by value and 9 per cent by weight in the third quarter.

Employment in textiles fell in the third quarter, reflecting the large number of mill closures. In September, employment in the sector stood at 378,000 compared with 400,000 three months earlier, 449,000 a year earlier and 546,000 in 1974.

The clothing industry appears to have fared better than textiles. Output recovered marginally in the third quarter, though it remained about 10 per cent down on a year earlier. Clothing imports were down 5 per cent by value in the third quarter and 9 per cent by weight.

Exports were up 10 per cent in value and 1 per cent by weight.

Oil prices 'may rise by 25% over year'

BY RAY DAFTER

NORTH SEA oil prices could rise to almost \$50 a barrel by the end of the year, according to a report by James Capel, stockbroker.

The brokers' World Energy Review released yesterday says the international oil industry's continuing nervousness over supplies could cause a 25 per cent rise in prices over the year.

The ceiling price of \$35 a barrel for Middle East light crude set by the Organisation of Petroleum Exporting Countries meeting in Bali last month could rise to \$45 by the end of the year.

Capel's report does not specifically speculate on North Sea prices. However, if UK rates follow the predicted worldwide trend the price of Forties Field crude oil could move to \$48 a barrel.

North Sea companies are discussing rates to apply from January 1, and it seems likely they will set a price of \$39.25 a barrel for Forties oil, an increase of \$3 on the end-1980 level.

The assumptions used in Capel's report include continuing uncertainties over the production level in Iran and

Iraq, doubts about Saudi Arabia's willingness to maintain output at well over 10m barrels a day, and the trend by some producers to impose pricing premiums above even the new high level of contract rates.

Non-Communist world oil demand over the coming year, compared with 1980 levels, was expected to be: 1st quarter, 51.3m b/d (52.3m); 2nd quarter, 47.5m b/d (48.3m); 3rd quarter, 46.0m b/d (46.3m); 4th quarter, 50.5m b/d (50.9m).

The report suggests that a 25 per cent rise in crude oil prices would seriously hit growth rates, inflation and current account balances in major Western countries.

The Organisation for Economic Co-operation and Development had estimated that without a price rise the growth in GNP would be 3 per cent in the first half of 1982, that consumer prices would rise by 9 per cent, and that the current-account deficit of the West would be £34bn.

The report suggests that with a 25 per cent oil price rise, GNP growth would be only 1.5 per cent, inflation would rise by 11 per cent, and the current-account deficit would be £30bn.

Phillips makes significant finds in North Sea tests

BY MARTIN DICKSON, ENERGY CORRESPONDENT

PHILLIPS Petroleum said yesterday it had made an encouraging oil find in its test drilling of the North Sea's "T-block," which comprises the Toni, Tiffany and Thelma fields.

Phillips, operator for a five company group, said it had recovered significant amounts of hydrocarbons from its 16 1/2-in. appraisal well, about two miles south-east of the Thelma field.

The well had been drilled to a depth of 16,412 feet and nine tests had been conducted between 13,326 and 16,412 feet. One test, between 13,326 and 13,404 feet, produced 6,880

barrels a day of 35 degrees API gravity oil and 7.58m cubic feet a day of natural gas through a 1-inch choke.

The other test, between 13,517 and 13,743 feet, produced 7,550 b/d of 35 degree API oil and 11.6m cubic feet a day of natural gas on a 1-inch choke.

Seven deeper tests recovered small, non-commercial amounts of hydrocarbon and water.

The results confirm the commercial potential of Thelma but it seems unlikely they will appreciably change estimates of T-block reserves, unofficially put at 300m to 400m barrels.

Stiffer equal pay law call

FINANCIAL TIMES REPORTER

EMPLOYERS will face much tougher Sex Discrimination and Equal Pay Acts—with the burden of proof on them when accused of discrimination—if amendments proposed by the Equal Opportunities Commission become law.

Twenty-five changes have been proposed to the acts, details of which have been presented to Mr. William Whitelaw, the Home Secretary.

The proposals, which would close several loopholes in the law, are based on five years' experience of the Acts and on the results of test cases backed by

the commission. The amendments would probably mean more successful prosecutions.

Major amendments suggested include:

• The incorporation of the EEC concept of equal pay for work of equal value in the British Equal Pay Act.

• Equality in pensions and retirement arrangements.

• Shifting the burden of proof in sex discrimination cases on to the defendant.

• Repealing the exemption for small companies (employing five people or fewer) from the Sex Discrimination Act.

Risk capital company set up in Highlands

By Ray Perman, Scottish Correspondent

A RISK capital company has been formed to provide equity finance for entrepreneurs who want to start businesses in the Highlands and Islands of Scotland.

Called Highland Venture Capital, it has been formed by the Highlands and Islands Development Board, the Bank of Scotland and the Industrial and Commercial Finance Corporation. Offices have been opened in Inverness, Edinburgh and Glasgow.

Sir Kenneth Alexander, chairman of the development board, said the aim of the company was to provide equity funding, from £25,000 to £300,000 for new ventures judged to have a chance of growing into successful employers in the north of Scotland by mid-1980s.

The company will use U.S. techniques to decide which risks are worth taking. It has asked the Boston-based Venture Founders Corporation to identify entrepreneurs who deserve support.

Applicants who show promise need not have a "track record," but they will be invited to attend a "workshop" lasting three weeks.

Mr. Alex Dinger, president of Venture Founders, said: "This workshop simulates the start of a new venture. In the course of six 16-hour days, the entrepreneurs and ourselves learn a great deal about their management skills, their attitude to risk, and the depth of commitment to their projects."

Projects which pass scrutiny will be given equity funding and other assistance, including advance factories, grants and loans. The leading individuals in each enterprise will be allowed an equity share in the ventures to reflect personal effort and initiative.

Highland Venture Capital expects to be able to realise capital gain on its investments after seven to 12 years, and will then sell the equity.

Change for sterling trade-weighted index

BY DAVID MARSH

THE TREASURY and the Bank of England are to introduce a new trade-weighted index for measuring the overall exchange rate of sterling.

The index, which includes a lower weighting for the dollar than the old one, slightly increases the appreciation of sterling in the last year compared with the calculation used until now.

It involves two basic changes. The old calculation founded on a base of December 1971=100 is being updated to use a base of the annual average of 1975=100.

The weightings of currencies in the index have also been revised to take account of recent changes in trade flows.

The alteration, based on International Monetary Fund Calculations for 1977, gives a better reflection of the relative importance of different currencies for British trade.

The Bank will use the new weights in calculating the official sterling index from February 2.

The weighting changes include a fall in the weight of the U.S. dollar from one third to one quarter, and increases in the weights of the Irish punt (by 3 percentage points), the yen and theuilder (2 points) and the lira (11 points).

For most quarters of the past few years, the change from the

old to new weights makes a difference of no more than 1 per cent.

Mainly because of the lower weighting of the dollar—which was generally firm last year compared with most currencies apart from sterling—the new index shows that the pound appreciated 12.7 per cent in the year (quarterly average of 1979 compared with average 1980).

This compares with the 12.2 per cent derived under the old calculation.

Bank of England effective sterling rate (quarterly averages)			
	Old index 1971=100	New index base average 1975=100	1975=100
1978	65.4	84.8	61.5
	61.5	79.9	62.4
	62.4	80.6	62.7
1979	64.0	82.3	67.4
	67.4	86.9	71.0
	68.8	88.6	72.2
1980	72.4	94.5	73.4
	73.4	96.7	77.3
	77.3	99.9	

Bad debt charges erode clearing bank profits

CLEARING BANKS are likely to report a fall in pre-tax profits for 1980, largely because of a sharp increase in their total bad debt charges, according to a study by stockbrokers Wood Mackenzie.

Of the Big Four, only Lloyds Bank is likely to report an increase—to a forecast £233m compared with £276.6m in 1979.

The sharpest fall is expected for Midland Bank whose pre-tax profits are projected to slide to £233.5m from £315.5m.

Bad debt charges for the four banks together will amount to £430m in 1980, more than 34

times the level in 1979, Wood Mackenzie forecasts.

This strong increase has not been reflected in the forecasts that Lloyds will raise its net dividend for the full year 1980 to 17.1p from 14.3p in 1979. Midland's dividend will be increased to 21p from 20p, it says.

Barclays Bank, which is likely to report a decline in pre-tax profits from £529.4m to £519m, will raise its dividend to 18.5p from 15.4p. National Westminster is projected to increase the payout to 21p from 17.5p on pre-tax profits of £426m compared with £411.5m.

Schroders predicts fall in MLR

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

MINIMUM Lending Rate is likely to be brought down from the present 14 per cent to between 10 and 12 per cent during the first half of this year, Schroders, the merchant bank says in its latest economic analysis.

The bank believes this reduction is likely because of slower monetary growth and better inflation figures. However, the prospect of a recovery in demand, even if it is transient, means that MLR will remain a point, or so, above the inflation rate.

Schroders' review is not particularly optimistic about the medium-term outlook. Even though demand should recover in the first half of this year the recovery is unlikely to be sustained. It will probably be at least three years before Gross Domestic Product returns to the level of early 1979 in real terms.

A cautious view of the outlook for the gilt-edged market has come from stockbrokers Fielding, Newson-Smith. The brokers expect that the cash inflow into insurance companies and pension funds will decline in 1981-82 to £9bn from £10bn in the current financial year. This would be the first time in 12 years that the level of cash flowing into these institutions has fallen.

When trade has been more buoyant, some retailers have been reluctant to prosecute every case of shoplifting, either because of the amount of management's time taken up by a court case or because of the bad publicity attached to prosecuting juveniles or old people.

However, juvenile shoplifting is the fastest growing part of store theft and nearly all major retailers will prosecute in every case.

Retailers are expected to spend more than £100m this year on store security, British Home Stores, for example, which spent less than £40,000 on shop security in the mid-1960s, allocated more than £1m

Slynn likely to join Euro-court

By Raymond Hughes, Law Courts Correspondent

THE appointment of High Court Judge Sir Gordon Slynn as the new Advocate-General to the European Court of Justice is expected to be announced soon.

Sir Gordon will replace Mr. Jean-Pierre Warner, QC, who returns to the UK at the beginning of March to take up his new appointment as a judge of the High Court Chancery Division.

Sir Gordon is now president of the Employment Appeal Tribunal.

His experience in employment law will be valuable at the European Court, where equal opportunity disputes form a large part of the case load.

The Lord Chancellor's Department said yesterday that no decision had yet been made about who would succeed Sir Gordon at the EAT.

It is understood that Mr. Justice Browne-Wilkinson, Mr. Justice Croom-Johnson and Mr. Justice Waterhouse are possible candidates.

Clampdown on shoplifters as losses increase

David Churchill looks at the retailers' fight against 'shrinkage,' which is expected to cost £1bn this year

SHOPLIFTING losses this year are expected to exceed £1bn—the equivalent of a Great Train Robbery every day of the year. Many retail store groups are now planning to step up their anti-shoplifting campaigns.

Retailers, already hard pressed because of the slump in shop spending, can no longer afford to lose between 2 and 3 per cent of their annual turnover from what is euphemistically described in the trade as "shrinkage."

In the past, retailers have tended to pass on losses from shoplifting to customers in the form of higher prices. But with the downturn in trade and fierce price competition, such an option is no longer possible.

Accurate figures of the number of shoplifting cases reported to the police last year will not be available for some months. But many retailers report that shop thefts are likely to have risen last year after being relatively stable in the late 1970s.

Mr. Michael Miller, a group security chief of Sears Holdings, which includes Selfridges, says he has "heard some rather bad figures for other groups in recent months."

"A disastrous figure for this group would be anything over 2 per cent of turnover, and the figures I have heard are worse."

He said shoplifting losses had been about 1.1 per cent of trade in Sears' department stores. In Selfridges' last financial year, that represented losses of about £850,000.

In 1979, according to official figures, 203,122 cases of shoplifting were reported to the police, compared with 203,600 in the previous year. The average value of goods stolen rose from £19 to £25.

General Mining Union Corporation Group

Gold Mining Companies' Reports for the Quarter ended 31 December 1980

All companies mentioned are incorporated in the Republic of South Africa

STILFONTEIN Gold Mining Company Limited

Issued capital - 13 062 920 shares of 50 cents each.

	Quarter ended 31.12.1980	Quarter ended 30.9.1980	Year ended 31.12.1979
Operating results			
GOLD			
Mined (m ³)	135 954	148 383	504 601
Ore milled (t)	485 000	538 000	1 886 000
Gold produced (kg)	4 070	4 658	17 388
Yield (g/t)	8.6	9.8	8.6
Working revenue (R/m ³ mined)	127.83	139.55	138.50
Working costs (R/m ³ mined)	49.64	44.07	44.85
Working income (R/m ³ mined)	177.07	180.08	158.11
Working income (R/kg)	78.19	95.38	95.35
Gold price received (R/kg)	16 174	16 187	15 709
Gold price received (S/oz)	628	664	629

The above figures include ore processed for Buffelsfontein Gold Mining Company Limited.

Financial results (R'000)

GOLD - Working revenue 61 897

Working costs 24 073

Sundry income 37 924

Tribute and royalty payments - net 1 887

Income before taxation and State's share of income 35 431

Taxation and State's share of income 21 304

Income after taxation and State's share of income R14 127

Capital expenditure 1 603

Dividend declared 39 189

	Quarter ended 31.12.1980	Quarter ended 30.9.1980	Year ended 31.12.1979
Development			
Advanced (m)	3 380	8 872	170
Advanced on reef (m)	1 507	162	5 351
Sampled (m)	1 230	159	1 320
Channel width (cm)	19	65	24
Average value			
- gold (g/t)	61.4	2.9	60.5
- uranium (kg/t)	1 026	0.102	1 459
- uranium (kg/t)	20.31	6.81	22.40

Ore reserves as at 31 December 1980

	Available	Unavailable	Unexploitable	Total Mine
Tons (000's)	2 797	264	4 023	7 084
Stop width - cm	120	120	120	120
Value:				
Gold:				
g/t	10.19	11.51	8.16	9.09
cm/kg	1 223	1 381	980	1 091
Uranium:				
kg/t	0.180	0.178	0.125	0.141
cm/kg	19.25	21.14	14.56	16.89

Ore reserve pay limit is calculated at an estimated gold price of R14 200/kg (S580/oz).

REMARKS

Capital expenditure

Commitments in respect of contracts placed R4 451 000.

Amounts approved not yet spent R10 921 000.

Dividend

On 3 December 1980 dividend No. 53 of 300 cents per share was declared to members registered on 19 December 1980. Dividend warrants will be posted on or about 5 February 1981.

WEST RAND Consolidated Mines Limited

Issued capital - 4 250 000 ordinary shares of R1 each.

	Quarter ended 31.12.1980	Quarter ended 30.9.1980	Year ended 31.12.1979
Operating results			
GOLD			
Gold section			
Mined (m ³)	75 816	67 087	232 528
Ore milled (t)	261 000	262 500	937 000
Gold produced (kg)	541	538	2 062
Yield (g/t)	2.1	2.0	2.2
Uranium section			
Mined (m ³)	131 253	126 792	493 841
Ore milled (t)	288 500	283 500	1 134 000
Gold produced (kg)	163	154	595
Yield (g/t)	0.6	0.5	0.5
Working revenue (R/m ³ mined)	20.08	19.79	19.84
Working costs (R/m ³ mined)	28.56	27.98	27.82
Working income (R/m ³ mined)	76.77	79.80	79.80
Working income (R/kg)	15 614	15 914	15 221
Gold price received (S/oz)	648	655	611

URANIUM

Mined (m³) 131 253 | 126 792 | 493 841 |

Ore milled (t) 288 500 | 283 500 | 1 134 000 |

Gold produced (kg) 163 | 154 | 595 |

Yield (g/t) 0.6 | 0.5 | 0.5 |

Working revenue (R/m³ mined) 20.08 | 19.79 | 19.84 |

Working costs (R/m³ mined) 28.56 | 27.98 | 27.82 |

Working income (R/m³ mined) 76.77 | 79.80 | 79.80 |

Working income (R/kg) 15 614 | 15 914 | 15 221 |

Gold price received (S/oz) 648 | 655 | 611 |

Financial results (R'000)

GOLD - Working revenue 11 035

Working costs 15 858

Sundry income 5 708

Tribute and royalty payments - net 941

Income before taxation and State's share of income 1 995

Taxation 401

Income after taxation and State's share of income R1 594

Capital expenditure 110

Dividend declared 425

Development

Uranium section | | || Advanced (m) | 4 504 | 7 394 | 24 486 |
Advanced on reef (m)	2 548	3 883	12 828
Sampled (m)	2 708	3 987	12 392
Channel width (cm)	52	55	64
Average value - uranium (kg/t)	0.314	1.075	0.975
Average value - gold (g/t)	51.57	56.81	55.28
Average value - gold (cm/kg)	2.85	2.75	2.65
Average value - gold (cm/g/t)	161	150	150

Ore reserves as at 31 December 1980

	Gold section	Uranium section
Tons (000's)	637 600	460 100
Stop width - cm	110	86
Value - gold (cm/g/t)	6.08	1.49
Value - uranium (cm/kg)	1.132	89.52

Ore reserve pay limit is calculated at an estimated gold price of R14 200/kg (S580/oz) and an estimated realistic value for uranium oxide.

Details of unavailable and inaccessible ore reserves will be published in the Annual Report.

REMARKS

Capital expenditure

Commitments in respect of contracts placed R43 000.

Amounts approved not yet spent R313 000.

Dividends

On 3 December 1980 ordinary share dividend No. 99 and deferred share dividend No. 99 of 10 and 567 cents per share respectively were declared to members registered on 19 December 1980. Dividend warrants will be posted on or about 5 February 1981.

BUFFELSFONTEIN Gold Mining Company Limited

Issued capital - 11 000 000 shares of R1 each.

	Quarter ended 31.12.1980	Quarter ended 30.9.1980	6 months ended 31.12.1980
Operating results			
GOLD			
Mined (m ³)	219 888	235 918	458 806
Ore milled (t)	863 000	820 000	1 683 000
Gold produced (kg)	7 035	6 595	13 733
Yield (g/t)	8.2	6.2	8.2
Working revenue (R/m ³ mined)	123.82	131.80	127.71
Working costs (R/m ³ mined)	34.85	45.80	45.31
Working income (R/m ³ mined)	170.02	157.20	168.22
Working income (R/kg)	78.57	56.00	82.40
Gold price received (S/oz)	15 130	15 097	15 601
Gold price received (S/oz)	627	663	645

The above figures include ore processed by Solfontein Gold Mining Company Limited.

URANIUM

Pulp treated (t) 787 000 | 778 000 | 1 563 000 |

Oxide produced (kg) 154 300 | 142 400 | 286 700 |

Yield (kg/t) 0.20 | 0.18 | 0.19 |

Financial results (R'000)

GOLD - Working revenue 106 856

Working costs 39 707

Sundry income 68 149

Tribute and royalty payments - net 3 880

Income before taxation and State's share of income 1 068

Taxation and State's share of income 73 425

Income after taxation and State's share of income 39 058

Capital expenditure R34 367

Dividend declared R32 105

REMARKS

Capital expenditure

Commitments in respect of contracts placed R15 316 000.

Amounts approved not yet spent R142 765 000.

Dividend

On 3 December 1980 dividend No. 47 of 210 cents per share was declared to members registered on 19 December 1980. Dividend warrants will be posted on or about 5 February 1981.

Scratchmore shaft system

Development of the Scratchmore shaft system is progressing according to schedule.

BEISA Mines Limited

Issued capital - 3 925 000 shares of R1 each.

Loan capital advanced to date: R78 063 000.

Shafts

At No. 1 shaft the cutting of No. 5 level and the break away to the main pump station was completed.

Development of the loading station is presently in progress at a depth of 1 030 metres.

Intersections of water continued to hamper sinking. The programme of raising the trepan was commenced and to date the 1 to 2 level passes have been completed.

Metres advanced from the ventilation shaft on No. 1 and 2 levels were 2 084.

General

Erection of the second and third enclosures of the hostel, the dressing station and metallurgical laboratory continued. The shopping centre for blacks was opened during early December.

In Welkom a total of 192 houses have been completed and occupied.

Installation of the 2 mill is virtually complete whilst satisfactory progress was made on the uranium and gold extraction plants.

Net expenditure for the quarter on property, shafts, plant and equipment and general expenditure has amounted to R20 207 000 (to date R89 233 000).

Commitments in respect of contracts placed R12 643 000.

Amounts approved in addition to commitments, inclusive of estimated escalation - R82 783 000.

Latest estimates indicate that the mine will be brought into production at a level of expenditure below that set out above.

BRACKEN Mines Limited

Issued capital - 14 000 000 shares of 90 cents each.

	Quarter ended 31.12.1980	Quarter ended 30.9.1980	Year ended 31.12.1979
Operating results			
GOLD			
Mined (m ³)	82 218	80 133	240 000
Ore milled (t)	240 000	220 000	864
Gold produced (kg)	864	858	3 360
Yield (g/t)	3.6	3.8	3.8
Working revenue (R/m ³ mined)	24.59	24.55	24.55
Working costs (R/m ³ mined)	101.23	99.80	99.80
Working income (R/m ³ mined)	28.75	40.88	40.88
Working income (R/kg)	16 017	16 819	16 819
Gold price received (S/oz)	627	665	665

Financial results (R'000)

GOLD - Working revenue 13 187

Working costs 8 298

Sundry income 5 899

Tribute and royalty payments received - net 7 029

Income before taxation and State's share of income 7 055

Taxation and State's share of income 4 351

Income after taxation and State's share of income R2 704

Capital expenditure 160

Dividend declared 5 580

Development - Kimberley Reef

Advanced (m) 823 | 1 090 | 1 090 |

Advanced on reef (m) 189 | 262 | 262 |

Sampled (m) 204 | 295 | 295 |

Channel width (cm) 29 | 15 | 15 |

Average value - gold (g/t) 38.9 | 47.6 | 47.6 |

Average value - gold (cm/g/t) 1 129 | 714 | 714 |

REMARKS

Capital expenditure

Commitments in respect of contracts placed R29 000.

Amounts approved not yet spent R627 000.

Dividend

A dividend of 47 cents per share was paid on 7 November 1980.

LESIE Gold Mines Limited

Issued capital - 16 000 000 shares of 65 cents each.

Operating results

GOLD

Mined (m³) 71 485 | 72 602 | 315 000 || Ore milled (t) | 315 000 | 315 000 | 1 260 000 |
Gold produced (kg)	941	915	3 615
Yield (g/t)	3.0	2.9	2.9
Working revenue (R/m³ mined)	45.87	48.42	48.42
Working costs (R/m³ mined)	26.12	23.78	23.78
Working income (R/m³ mined)	110.58	102.19	102.19
Working income (R/kg)	15 081	15 547	15 547
Gold price received (S/oz)	628	652	652

Financial results (R'000)

GOLD - Working revenue 14 491

Working costs 7 912

Sundry income 6 669

Tribute and royalty payments received - net 6 553

Income before taxation and State's share of income 6 526

Taxation and State's share of income 3 237

Income after taxation and State's share of income R3 289

Capital expenditure 678

Dividend declared 4 960

Development - Kimberley Reef

Advanced (m) 1 866 | 1 438 | 1 438 || Advanced on reef (m) | 521 | 614 | 614 |
Sampled (m)	614	458	458
Channel width (cm)	20	16	16
Average value - gold (g/t)	16.3	29.5	29.5
Average value - gold (cm/g/t)	326	472	472

REMARKS

Capital expenditure

Commitments in respect of contracts placed R725 000.

Amounts approved not yet spent total R4 797 000 of which R2 938 000 has been approved by The Honourable the Minister of Mineral and Energy Affairs for 1981.

Dividend

A dividend of 31 cents per share was paid on 7 November 1980.

KINROSS Mines Limited

Issued capital - 18 000 000 shares of R1 each.

	Quarter ended 31.12.1980	Quarter ended 30.9.1980	Year ended 31.12.1979
Operating results			
GOLD			
Mined (m ³)	102 916	101 871	340 000
Ore milled (t)	400 000	400 000	1 600 000
Gold produced (kg)	2 240	2 240	8 960
Yield (g/t)	3.6	3.6	3.6
Working revenue (R/m ³ mined)	84.70	90.58	84.70
Working costs (R/m ³ mined)	28.55	26.77	26.77
Working income (R/m ³ mined)	110.97	105.10	105.10
Working income (R/kg)	56.15	53.79	53.79
Gold price received (S/oz)	15 034	16 110	16 110
Gold price received (S/oz)	626	664	664

Financial results (R'000)

GOLD - Working revenue 33 879

Working costs 11 421

Sundry income 22 458

Tribute and royalty payments - net 22 795

Income before taxation and State's share of income 22 536

Taxation and State's share of income 12 437

Income after taxation and State's share of income R10 099

Capital expenditure 602

Dividend declared 19 260

Development - Kimberley Reef

Advanced (m) 3 200 | 3 116 | 3 116 || Advanced on reef (m) | 884 | 884 | 884 |
Sampled (m)	951	771	771
Channel width (cm)	43	51	51
Average value - gold (g/t)	36.5	31.7	31.7
Average value - gold (cm/g/t)	1 587	1 619	1 619

The above includes development for No. 2 shaft, as follows:

Advanced (m) 2 170 | 1 755 | 1 755 || Advanced on reef (m) | 453 | 353 | 353 |
Sampled (m)	512	297	297
Channel width (cm)	36	45	45
Average value - gold (g/t)	68.0	71.4	71.4
Average value - gold (cm/g/t)	2 447	3 212	3 212

REMARKS

Capital expenditure

Commitments in respect of contracts placed R1 725 000.

Amounts approved not yet spent R4 904 000.

Dividend

A dividend of 107 cents per unit of stock was paid on 7 November 1980.

General

The production and milling rate of the mine is to be increased from 133 000 to 185 000 tons per month. Capital expenditure to achieve this is estimated at R43 million to be spent over the next four years.

The GROOTVLEI Proprietary Mines Limited

Issued capital - 11 438 916 stock units of 25 cents each.

	Quarter ended 31.12.1980	Quarter ended 30.9.1980	Year ended 31.12.1979
Operating results			
GOLD			
Mined (m ³)	112 442	108 296	438 916
Ore milled (t)	440 000	440 000	1

UK NEWS - PARLIAMENT and POLITICS

Warning of 700,000 long term unemployed

By Philip Bassett, Labour Staff

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SIR RICHARD O'Brien, chairman of the Manpower Services Commission, the Government's employment services agency, warned yesterday that the number of long-term unemployed may rise to 700,000 after 1983.

His admission to the all-party Commons Select Committee on employment is the first public acknowledgment by a Government source that the figure may rise to this level.

Sir Richard told the committee: "We expect to see the rising trend of long-term unemployed going beyond 600,000 to perhaps 700,000."

Previously, the commission has not gone beyond projecting that the numbers of long-term unemployed will be over 600,000 in 1983.

This new projection has serious implications for the overall level of unemployment. The commission has said unemployment will remain at least at its present level until 1984.

But, as the corporate plan under discussion by the committee yesterday states, the numbers of long-term unemployed—those registered for a year or more—tend to follow movements in total unemployment "after a time lag."

The prediction of 700,000 long-term unemployed after 1983 tends to imply the commission believes unemployment will continue to rise at least for the next two years.

Yesterday Sir Richard was careful not to go beyond previously stated Government assumptions of future unemployment levels.

The long-term unemployed are one of the Government's priorities. Last month, Mr. James Prior, employment Secretary, announced a £250m package to help the unemployed. Part of this is the Community Enterprise Programme, a new scheme to help the long-term unemployed by effectively doubling the present number of places on work experience programmes.

The increase in the commission's projection will place further strain on the Community Enterprise Programme.

Sir Richard confirmed that a number of job centres were threatened with closure, because of Government-imposed cuts in staffing and expenditure.

He said the commission had not yet reached the point of deciding which centres could be affected or how many. The possible off-setting effects of changes in the principle of registration would have to be taken into account.

At present, the unemployed are required to register at a job centre as well as an unemployment benefit office.

The commission is considering whether to defer registration until after about four weeks of unemployment, or to make registration voluntary.

Both these courses would allow different numbers of staff to be released for other work.

Sir Richard also questioned the Commission's close about the cuts in services detailed in the corporate plan.

Rate support boost for three areas

BY IVOR OWEN

ADDITIONAL RATE support grant totalling £4m is to be allocated between three local authorities hit by loss of revenue in the current financial year and in 1981-1982 by the closure or contraction of major steel plants.

Mr. Michael Heseltine, Environment Secretary, announced in the Commons last night that early discussions are to be held with Derwentside—the authority whose area includes Consett—Corby and the Alyn and Desseid council which is affected by the ending of steel making at Shotton.

"When an authority loses a large part of its rateable value base in a single year it can be difficult to maintain services," he stressed.

Mr. Heseltine explained that the £4m will come from within the existing total allocated for rate support grant provided local authorities comply with the spending targets set by the Government.

He revealed that Labour-controlled Greenwith had agreed to cut back its expenditure, thus reducing the number of authorities facing penalties for "overspending" to eight.

Mr. Heseltine vigorously denied that the tighter control over the proportion of local

authority spending financed by central government embodied in the new block grant system amounted to a curtailment of the freedom of local government.

Ignoring the jeers of Labour MPs, he insisted: "The issue of freedom is the extent to which individual authorities have discretion as to where they spend money within the targets which the Government set."

"I argue that this Government has extended that discretion beyond the wildest dreams of local government."

Sir Nicholas Bonsor (C, Nantwich), urged the Minister to take still greater powers.

Some Labour-controlled authorities, he said, were imposing intolerable burdens and he called for a limit to be set to the amount of rate increases which councils could legally impose.

Mr. Heseltine commented that the effect of the Government assuming still greater power on the lines advocated by Sir Nicholas would be to make a fundamental change in the relationship between central and local government.

The Government would prefer to preserve the existing relationship which rested on the assumption that local govern-



Heseltine: Reaffirmed cash limit on pay.

ment would achieve the financial targets set by the Government.

There were cries of "Oh" from Labour MPs when Mr. Heseltine went on to warn of the dangers which would ensue if local authorities did not accept "a real partnership" with central government.

He reaffirmed that a cash

limit of six per cent will apply to the level of Government expenditure available through the rates support grant to finance local authority pay awards in the current pay round, and in the succeeding pay round.

To Tory cheers he emphasised: "We are not prepared to finance pay increases above this level. If settlements are higher the cost must be found locally."

Mr. Gerald Kaufman, Labour's Shadow Environment Minister, accused Mr. Heseltine of singling out Labour councils over alleged overspending while treating Tory councils who had increased their expenditure by even greater amounts as "a protected species."

He protested that the whole aim of the new rate support grant is not only to control how much money local authorities spend but to dictate how that money is spent. He said London had been the most harshly treated area under the new system.

The savagery of the cuts is defeating the Government's stated purpose of controlling its expenditure.

Robin Pauley writes: The extra money for steel towns will not involve any loss to the

Exchequer although the £4m will come initially from the appropriations fund. But a similar amount will later be deducted from the amounts used to adjust the rate support grant settlements for both 1980-81 and 1981-82.

This loss will be shared by all other authorities in England and Wales, each taking a very slight cut in grant. In effect, therefore, the other local authorities will be subsidising the aid to those worst hit by steel closures.

Authorities qualifying for the aid must have lost at least 5 per cent of their rate base within the two years in question. On this basis, Scunthorpe, for example, does not qualify but might before the end of 1981-82 depending on the level of closures its steel works might suffer by then.

Authorities qualifying for the aid will have to agree not to claim compensation under a provision of the new Local Government Planning and Land Act allowing for very large losses of rate base under certain circumstances. The procedure under that provision would take a long time whereas the Government's solution announced yesterday can be implemented very quickly.

Exhaustive ballots to be held on PLP leadership

BY ELINOR GOODMAN, LOBBY CORRESPONDENT

LABOUR'S NATIONAL Executive yesterday set the scene for a day of lengthy argument and protracted voting on January 24 when the party holds its special conference to resolve the issue of how to elect its leader. In a joint meeting yesterday between the executive and the conference arrangements committee, it was agreed there should be exhaustive ballots on the principle of one member one vote, and a fifth category to cover any other ideas.

Only in the afternoon will delegates get down to voting on the question of how power should be divided within an electoral college composed of MPs, trade unionists and local parties.

It was this issue which the autumn conference was unable to resolve. Once again the voting will be by exhaustive ballot, and will go on until one proposal has more than half the votes.

Finally, the conference will vote on the necessary constitutional amendments clause by clause.

The unions who control most of the votes at the conference are still divided amongst themselves as to how large a share of the votes in an electoral college should be given to MPs.

Some back the National Executive's proposal that the college should be split equally between the Parliamentary party, trade unionists and local parties, while Mr. Foot is still trying to rally support for the Parliamentary Labour Party's own proposal that they should have half the votes.

Time ripe for centre alliance, says Jenkins

BY ELINOR GOODMAN

MR. ROY JENKINS made it clear last night he believes the time is right for the launch of a new alliance in the radical centre of British politics. He also gave the clearest indication yet of his own willingness to participate in such a movement and urged Social Democrats within the Labour Party to face up to the need for decisive action.

Interviewed on BBC Radio, he held out the possibility of achieving a real change in the present party structure by appealing to people from all three political parties—and some who had not even bothered to vote before—who were now looking for a radical change.

Mr. Jenkins, who retired as the EEC president at the beginning of the year, has been floating the possibility of a new centre party for some months and has had private talks with a number of disillusioned Labour Right-wingers—including the so-called Gang of Three. But until now he has been

reluctant to commit himself. In last night's interview, he remained vague about his precise plans but made it clear he has now turned his back on Labour for good and now sees a gap in British politics which he believes will have to be filled by some new group.

He said he wanted to see a "healthy development" in British politics "and if I can help by participating I will." The time was now ripe in a way it had not been for some time.

The whole tenor of Mr. Jenkins' interview suggested that his decision to take up a post as vice chairman of the merchant bankers Morgan Grenfell was not meant to interfere with his political ambitions.

Mr. Jenkins' initiative comes at a time when speculation is mounting that a small group of Labour Right-wing MPs will leave the party this year—either because they fail to get re-elected or because they finally fall out over policy.

Privileges inquiry over BSC chief

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

THE COMMONS Privileges Committee is to investigate an accusation that Mr. Ian MacGregor, British Steel Corporation chairman, threatened that there would be no investment in a Workington plant if Mr. Dale Campbell-Savours (Lab., Workington) persisted in attacking the corporation on the floor of the House.

The matter was referred to the committee yesterday after Mr. Campbell-Savours outlined his allegation to the Commons.

The 17-member committee of senior MPs is certain to call Mr. MacGregor and other officials of the corporation before it to hear their answer to the accusation. It can also demand access to relevant papers and documents.

The committee will sit in private to decide whether a

breach of privilege has been committed. It then makes a public report which can be debated in the Commons. In this instance, the report could well be completed in about three weeks' time.

If breach of privilege has been committed, it is up to the Commons to decide what action to take if any. In theory, the penalty can be imprisonment although such a severe sanction has not been used in recent memory. It can also order a person to appear before the bar of the House to apologise—but this is very rare.

A more normal course where a case is proved would be for the House to endorse the decision of the committee and any criticisms it might make of the person concerned. In effect, this amounts to an admonition.

Mr. MacGregor has already said he is perfectly prepared to ensure that the House and the committee is fully aware of the facts of his meeting with Mr. Campbell-Savours.

In his statement to the House yesterday, Mr. Campbell-Savours recalled that he had spoken in the Commons steel debate on December 16 and had said that in Workington there were widespread rumours that senior BSC executives had produced questionable statistics to justify closure. He had also adversely commented on the judgment of some ES management.

Mr. Campbell-Savours explained that following the debate he met Mr. MacGregor and other BSC officials on December 18. Instead of talk-

ing about matters they had agreed to discuss, he said Mr. MacGregor interrupted to say he took exception to the remarks he had made in the debate.

The MP continued: "After further conversation about my general approach in the House concerning the steel industry, Mr. MacGregor said that if this was the way I intended to conduct my case in Parliament and if I persisted in making such statements and attacks on the corporation, further investment in Workington would be ended."

Mr. Campbell-Savours said he returned at once to Westminster, dictated notes to his research assistant about the incident and wrote a letter to Mr. George Thomas, the Speaker. He also described his experience to three Parliamentary colleagues.

Labour opposes new citizenship classes

BY MARGARET VAN HATTEM, LOBBY STAFF

THE Shadow Cabinet yesterday agreed to oppose the Government's controversial legislation, introduced in the Commons yesterday, establishing three separate classes of British citizenship representing the type of relationship a British subject has with Britain.

It does not alter the right of nationals of the Irish Republic to live, work and vote in Britain, nor does it in any way impinge on civil rights which will continue to be defined in terms of "citizens."

Of the three new categories only one, British citizenship, confers the automatic right to settle in the UK. It applies to people closely connected with the UK, the Channel Islands

and the Isle of Man. People connected with British dependencies such as Hong Kong, the Falkland Islands or Gibraltar would be eligible for citizenship of the British Dependent Territories. The remaining category, British Overseas Citizenship, applies to all other citizens of the UK and colonies. The second two categories confer the right to a British passport and consular protection, but not automatic right of entry to Britain.

In defining eligibility for full British citizenship, the Government insists it is not jeopardising the rights of ethnic minorities already living in Britain, but rather placing their rights on a firmer footing. However it concedes that it is limit-

ing the rights of citizens of former colonies such as East African Asians or Malaysians in future generations.

Full British citizenship would be available to Commonwealth citizens settled here since before 1973 and would remain so for up to two years after the coming into force of the Act. Thereafter, they would have to complete five years' residence in order to qualify.

Women married to British citizens would also be eligible to register for citizenship for two years, provided the marriage lasted. Thereafter, they would also have to complete a period of residence. No similar provision is made for men married to British subjects.

Exxon name plea 'has wide consequences'

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

THE NOVEL attempt by Exxon Corporation, the oil multinational, to get copyright protection for the name "Exxon" has very far-reaching consequences, a High Court judge said yesterday.

If the corporation was right in its argument, that every invented word was capable not only of being protected under the Trade Marks Act but also under the Copyright Act, said Mr. Justice Graham.

"That is a matter of very considerable commercial and legal importance," he added.

The judge adjourned the hearing to enable the Attorney-General to be asked to put to the court any available legal arguments contrary to those advanced by the corporation.

Exxon Corporation has asked for injunctions restraining alleged passing-off and infringement of copyright by an unassociated UK company, Exxon Insurance Consultants International.

The orders are sought in default of defence by Exxon Insurance, which is not represented in court.

Exxon Corporation contends that the name "Exxon" is an "original literary work" that

can be protected by copyright law. Mr. Justice Graham said he was sure that the corporation had referred him to all the legal authorities it considered relevant.

But there might well be an argument to the contrary, on the basis that it had never been intended that the Copyright Act should, in effect, extend the protection given by the Trade Marks Act, to the extent suggested by the corporation.

The corporation has raised the copyright issue because it feels that it has not sufficient legal control over the use by others of the name "Exxon."

If a company carrying on a business totally different from that of the corporation adopted the name, it could be difficult for the corporation to establish passing-off or infringement of trade mark, whereas such a use could be prevented if the corporation owned the copyright in "Exxon."

As an example of the problem, the judge has been told of a case, which was settled before it reached court, in which the name "Exxon" was taken by a pornographic cinema club.

Londonderry tenders call

BY OUR BELFAST CORRESPONDENT

THE GOVERNMENT is inviting tenders for building a 109,000 sq ft shopping and office complex, costing about £7.5m, in central Londonderry. Half the area will be for offices, with space for four stores and 20 shops.

Mr. Humphrey Atkins, Northern Ireland Secretary, said

no decision to proceed would be made before a complete appraisal of tenders.

He said in the next few months he would look for "clear evidence of the will and desire of the community to create a climate in which business decisions can be taken in confidence."

Eight dress importers to face court

Financial Times Reporter

FOUR UK clothing import companies are due to appear before magistrates at Staines, Middlesex, on Monday, charged with contravention of import-licensing regulations.

The cases involve dresses from India, allegedly being imported as women's night-dresses. Dresses from India are subject to an annual quota against which the Trade Department issues import licences. Night dresses, a less sensitive category not subject to heavy import penetration, are not covered by the quota.

The companies are Boules of King Street, London, Sobell Textiles of 100, Titchfield Street, Amritlal Shah of Commercial Road, and India Imports of Rhode Island, Brentwood, Essex.

Their court appearances follow an investigation started by the Customs and Excise last May. A total 21,000 dresses were later seized, valued at £50,000. Four other companies are due to appear later.

Mr. Cecil Parkinson, Trade Minister, has told ICI Fibres managers that erection of more trade barriers would not cope with the textile industry's real problem—overcapacity worldwide but particularly in Europe.

The managers sent a delegation to see him under the auspices of the Managerial, Professional and Staff Liaison Group, a white-collar union unconnected with the TUC. They wanted "drastic action" to save the industry from dumping.

Their concern was directed to U.S. imports and sale here of "developing countries' textiles. They submitted that ICI Fibres invested £100m over the past decade but lost £33m in 1979 and "much more" in 1980.

Andrew Taylor on new costs facing producers and builders

Problems in setting a cement price

THE PRICE of cement is likely to rise 12 per cent from March 1 when the next round of cement price increases is triggered. A further 6 per cent increase in July is likely.

Plans by the major cement manufacturers to raise prices have provoked surprisingly little protest from a construction industry already under severe pressure because of falling workloads and drastically reduced margins.

The reason for this is that advance warnings have been given of the timing and likely extent of price rises. Cement manufacturers have raised their prices 24 per cent almost overnight.

Last March's sudden increase in the price of ordinary and rapid hardening portland cements—by far the most widely used in construction—caused builders and contractors to criticise the common pricing agreement operated by the Cement Makers' Federation.

Some contracts

The row was defused by an agreement that cement price increases would be signalled well in advance of implementation. Construction companies have known for about two months what price increase they are likely to face in March and are taking this into account when bidding for contracts.

The contribution of cement prices to UK building costs is small—traditionally less than 3 per cent, although on some contracts it can be 12 per cent. The likely further 6 per cent increase in cement prices from July would mean contractors bearing on average 16.5 per cent increase in their cement bills between March 1 and the end of this year when the next round of price increases is due.

The Cement Makers' Federation says the projected increases will do no more than keep pace with increased manufacturing

costs. Cement manufacturers' margins are likely to fall this year after a recovery in 1980 in the wake of last year's price increase.

Despite a 6 per cent decline in UK cement sales last year the industry's return on capital employed on a depreciated cost basis is estimated by the federation to have recovered from about 4.9 per cent to 5.7 per cent—the best performance since 1975, when return on capital employed was 6.7 per cent.

The federation is forecasting that this year UK deliveries of cement will fall from 14.03m tonnes to just over 12.6m tonnes. On this basis, and assuming the industry's capacity is unchanged, return on capital employed will fall to about 5 per cent, even with the projected price increases.

Blue Circle, the country's largest cement maker—with about 60 per cent of the home market—is bringing forward plans to reduce its cement making capacity by 1.9m tonnes. This will reduce the industry's annual capacity from 15.8m tonnes to 14.9m tonnes this year. Home deliveries were 14.03m tonnes last year and 14.94m tonnes in 1979.

The sharp fall in cement deliveries last year did not occur until the second half. As a result, half year figures of the major cement manufacturers showed substantial profit increases aided by the 24 per cent price increase introduced in March.

UK trading profits of Blue Circle, for instance, rose from £10m to £18.4m in the six months to June 1980. Cement sales usually account for about 50 per cent of Blue Circle's home profits.

Trading profits of Tunnel Holdings' building material and services division increased more than 80 per cent to £4.34m in the six months to September 23, 1980 even though the cement

sales were falling from the group's second quarter onwards. But second half figures will show a less rosy picture since benefits derived from the March price rise will have been eroded by increased manufacturing costs and an estimated 16.3 per cent fall in sales in the second half of 1980, compared with a first half increase of 5.6 per cent.

The industry says in setting the price rise for next March, it had to consider recent rises in energy costs, which account for about 40 per cent of cement manufacturing costs.

All cement kilns in the UK are now coal fired. From January 1 the cost of coal to cement manufacturers rose 12 per cent. Some recent estimates from manufacturers suggest the impact of the rise could be higher.

It seems likely coal prices will rise again in November, when the next miners' pay settlement is due to be implemented.

Shelter plans approved

PLANS to convert two disused railway tunnels near Shepton Mallet, Somerset, into nuclear fallout shelters were approved by Mendip District Council yesterday.

Stronghold Engineering and Construction Company will convert the tunnels. It has been

offered 48 tunnels by British Rail and has received applications for some of the 250 places from local people.

The local Labour Party contends that the scheme would provide protection only for the privileged few who could afford it.

Uncompetitive pricing could make the importing of cement worthwhile. High freight and delivery costs prevent this now.

Orwell prizewinners

THE George Orwell memorial prize has been won jointly for the first time in its five-year history. Sharing the £750 award, sponsored by Penguin Books and administered by the National Book League, are writers David Marquand and E. P. Thompson.

Mr. Marquand's entry was Inquest on a Movement, published in Encounter in July, 1979, analysing Labour's General Election defeat. Mr. Thompson's entry was The State of the Nation, published in New Society (and in book form as "Writing by Candle-

Talks at Shotton await poll

By Robin Reeves, Welsh Correspondent

NEGOTIATIONS over a British Steel Corporation proposal to add some 900 redundancies to more than 7,000 jobs already lost at its Shotton works in North Wales have been adjourned until next week, pending the outcome of the ballot on BSC's survival plan.

All-day talks on the latest cut in jobs ended in some acrimony after the Shotton representatives pressed union representatives to agree to the detailed redundancy plan, in principle, but refused to give details of the severance terms and the lump-sum bonus payments for the 2,500 workers who will remain at the plant.

Those who quit are expecting severance payments in line with the generous terms given to secure the early closure of iron and steelmaking a year ago. But the signs are that BSC will keep the severance offer down to the level being negotiated at other BSC plants.

Mr. Graham Catherall, chairman of Shotton's multi-union negotiating committee, said the workforce was also angry that the proposed redundancies were concentrated on industrial and clerical grades. Only 36 management jobs were due to go, he said.

Some 500 out of the total of 928 further jobs to be lost at Shotton result from the decision, as part of the survival plan, to close the works' coke ovens and associated plant.

Most of the redundancies are due to be effected by the end of March, leaving Shotton with sufficient manpower to process some 12,500 tonnes of hot-rolled steel coil a week in its coatings complex. At present it is handling between 8,000 and 9,000 tonnes a week.

The coke ovens are only eight years old and were spared closure a year ago.

Offer of 12% rejected by seamen's executive

BY PAULINE CLARK, LABOUR STAFF

BRITISH seamen will be urged today to step up industrial action on ships in home ports and overseas following the unanimous rejection of a 12 per cent offer by the executive council of the National Union of Seamen.

Employers' negotiators meet today to review the position but, with the General Council of British Shipping adamant that no more money is available, the two sides seem set for a prolonged struggle.

After yesterday's 24-hour strike at Southampton, Portsmouth and Weymouth, further cross-Channel ferry services are due to be halted by seamen's action at Harwich from 10 am today until the same time tomorrow.

The strike, agreed yesterday by the traditionally moderate Harwich branch of the union, will affect British-crewed Sealink services but not passenger ships manned by Dutch seamen. Seamen at Holyhead and Fish-

guard said yesterday they would start industrial action for four days from next Monday. This would have different day-to-day effects on ships on Irish sea routes.

The union claimed yesterday that 200 ships were now affected either by action already taken or by plans for indefinite stoppages, 24-hour strikes, overtime bans and other forms of action. Of these, about half were said to be deep sea vessels either in or bound for foreign ports and half ferries and short sea route vessels in home ports.

Shipowners said 55 ships had actually been held up yesterday—45 in British ports and 10 abroad.

The NUS executive accepted a recommendation from union officers to reject the latest offer because it "falls far short" of the claim put forward by the union and because the executive believed that in some cases it amounted to less than the previous offer.

The union's main grievance is about overtime rates, which it wants raised from time and a quarter to time and a half.

Mr. Jim Slater, general secretary of the NUS, said if the offer had been put to the membership as requested by employers the present dispute would have become a "bloody revolution." The improved offer included an overtime rate which worked out at 4p an hour less than originally offered, he said.

Support for the strike was growing rapidly because seamen had worked out for themselves the "unfairness" of the employers' pay strategy.

He said the strength of feeling was demonstrated yesterday by calls from Aberdeen and Belfast seamen for a ballot on all-out strike action, but the union believed the present action was sufficient.

Mr. Slater said he suspected political overtones in the employers' behaviour so far. "There seems to be no sense in the way the employers are talking unless they are giving support for the tactics of Mrs. Thatcher."

Mr. Roderick MacLeod, chief negotiator at the shipping council, denied that there had been any political influence directly exerted on shipowners by Ministers.

Chemical workers threaten action over shorter week

BY JOHN LLOYD, LABOUR CORRESPONDENT

A THREAT of industrial action in the chemical industry came yesterday from the General and Municipal Workers Union, the biggest manual group.

The union was warned that the chemical companies have until today to honour an agreement, signed last year, to cut the working week in the course of 1981. The two sides are due to meet this afternoon.

Mr. David Warburton, the GMWU's national industrial officer, said: "We are not seeking conflict but we do expect employers to honour agreements. If they attempt to postpone a shorter working week to 1982 or beyond, we will have to take appropriate industrial action."

Mr. Warburton said that the 1980 wage settlement, which established a minimum wage in the industry of £66, had only been concluded because of the commitment to cut hours this year.

The offer by the Chemical Industries Association, which represents the chemical companies, of a 38-hour week by 1984 was unacceptable, as was their proposition that circumstances had changed since the agreement was signed. The association would make no com-

ment on the negotiations last night.

The results of industrial consequences of industrial action could be "very serious", but that "we shall try to ensure that in the event of any such action there is no threat to the safety of the community."

If no settlement is reached today, plans for industrial action will be formed at a GMWU national conference of lay delegates from the chemical industry, on January 26 and 27. A special conference of full-time chemical officials will be held on January 30.

Other unions which are represented on the chemical joint industry committee include the Transport and General Workers Union, the Electrical and Plumbing Trades Union, the Amalgamated Union of Engineering Workers and the shopworkers union USDAW.

Mr. Pison, the fertiliser company, has agreed to meet the GMWU and other unions over plans to close three plants and cut 1,100 jobs, 25 per cent of the total workforce.

This follows the decision by the GMWU and the Association of Scientific, Technical and Managerial Staffs to take industrial action to resist the cuts.

Christian Tyler looks at blueprint for stronger unions

TUC facelift call

A BLUEPRINT for modernising the TUC and strengthening its authority and influence with Government, unions and the shopfloor was published last night.

The consultative document marks an important step in the TUC's major review of its organisation, structure and services to its 109 affiliated members. It will be debated at two union conferences in the next few months before decisions are taken at the annual Congress in September.

It identifies five main trends which suggest the need for internal reform. These are:

○ The likelihood that overall membership may fall after years of rapid growth, because of unemployment.

○ The image of trade unionism presented by the Press and television.

○ The involvement of the TUC in national economic affairs under interventionist Governments—except the present one.

○ The growth of international pressures through trade agreements and the multinational companies.

○ Changing expectations and attitudes of workers.

This, the paper says, suggests that the TUC should take on two new roles: to become an actively campaigning body and to increase the efficiency and level of services to unions.

In a section on organisation and structure, the paper identi-

fies new areas of recruitment as among white-collar workers in manufacturing, particularly chemicals and metals and engineering, and of all workers in food, drink and tobacco, textiles and clothing, and banking and insurance.

Construction, distribution and hotels and catering were also little organised.

It asks if the TUC should hold joint union recruiting meetings, and mark out spheres of influence.

Unions are asked if the TUC should have more influence in promoting union mergers and saying which were desirable and which not, and whether it should be kept better informed about important industrial disputes.

The paper suggests the TUC might help to set up joint union arrangements at company level, where collective bargaining is tending to concentrate.

Union subscriptions, at an average of 24p a week in 1979, were very low by international and historical standards—the equivalent figure in 1933 was £1.34 a week. The TUC could suggest a common policy both on union subscriptions and strike pay.

Full-time regional TUC secretaries might be appointed to stimulate the regional organisation.

Trades councils, sometimes criticised as "moribund" or "extremist", should be better supported.

Another chapter deals with bargaining priorities and touches on the problem of whether deals with governments should influence unions' own negotiations.

No further changes to the composition of the TUC general council are suggested and the idea of intermediate sanctions against disobedient unions—fines, for example—has been dropped for the time being.

The TUC says its industry committees might be increased, and it will be trying to redefine its relationship with the "mini TUC", the Confederation of Shipbuilding and Engineering Unions.

A substantial part of the document is devoted to getting the TUC's message across to its members and the public in the face of what it describes as a hostile press. It canvasses opinion on reviving a TUC journal, setting up a computerised central information system, and briefing the 4,000 trade unionists who sit on public bodies.

The paper recognises the weakness of trade union administration, which it says is probably due to lack of money.

The cost of the main reforms suggested has not been worked out, but it could be considerable.

The organisation, structure, and service of the TUC. Congress House, G. Russell Street, WC1E 3LS. £2.00.

Unions unite against local authority cuts

BY JOHN LLOYD, LABOUR CORRESPONDENT

THE MAJOR manual worker and white collar unions in local government yesterday announced an alliance against further Government cuts in local authority finance.

The National Union of Public Employees and the National and Local Government Officers Association, which together represent more than 1m local authority workers, yesterday forecast a loss of 150,000 jobs in the sector over the next two years, on top of job cuts totaling 57,000 in the year to last September.

The general secretaries of both unions—Mr. Alan Fisher of NUPE and Mr. Geoffrey Drain of NALGO—stressed the "uniqueness" of the initiative, which brings together two unions whose members as they admitted, sometimes see their interests as separate.

The brunt of the cuts to date have fallen on manual workers in NUPE and the general unions. However, some councils are planning white collar reductions—including Wandsworth, where NALGO staff shut some council offices yesterday in protest against 700 redundancies to take effect from the middle of next month.

The two unions will establish joint action committees against the cuts where these do not already exist, oppose all redundancies, refuse to cover unfilled

vacancies and attempt to set up local action committees in partnership with community groups.

In a joint pamphlet, the unions say that the recent legislation on local government gives Government "dictatorial control over local authority spending," while the 6 per cent cash limits for 1981/82 "are being used as a pay policy in the public services to cut real wages."

Mr. Fisher, whose union is affiliated to the Labour Party, said that NUPE would increase "the support" physical, financial and moral "it usually gives to Labour candidates in the metropolitan and county council elections in May."

Mr. Drain, whose union is not affiliated, said: "We don't need a political fund to get the message over to local electors. There is no doubt at all that we will be taking a very strong line indeed."

Officials of NALGO and management are due to meet on Tuesday in further negotiations on a pay dispute involving 800 computer staff in the National Health Service.

The union said that at a meeting yesterday management had refused to agree to a union request that the settlement of the dispute should be funded outside the overall NHS administrative and clerical staff settlement.

Pesticide body challenged over 'hazardous' dioxin

MR. PETER WALKER, the Agriculture Minister, was urged yesterday to abolish the Government's advisory committee on pesticides, and replace it with a body which would "take the health interest of the workers into account."

The call came at a meeting of trade unionists as part of the TUC campaign to have the herbicide 245-T banned.

The Government committee insists the substance is safe, but the TUC is trying through a voluntary ban to stop its import. It contains dioxin, which has been linked with cancer, birth deformities and miscarriages.

The TUC's advisory committee on toxic substances—which includes Mr. Jaco Boddy of the Farmworkers' Union, Mr. Clive Jenkins of the Association of Scientific, Technical and Managerial Staffs, and Mr. Jack

Eccles of the General and Municipal Workers Union—will press for the disbandment of the Government body when they meet Mr. Walker tomorrow.

Government scientists have said the weed-killer is safe to use, but Mr. Boddy said the TUC Council's decision to block imports "will do more for the safety of workers and others, who come into contact with the pesticide than Mr. Walker's Ministry has ever done."

Dioxin was developed in the U.S. as a defoliant for use in Vietnam, but the Government's safety advisers say there is no valid scientific or medical evidence that 245-T harms humans, animals or the environment, if used according to the instructions.

Mr. Boddy said the latest Government report, produced last month, was a "whitewash."

Airport action talks

FINANCIAL TIMES REPORTER

BRITISH AIRWAYS ground staff at Manchester Airport will meet on Monday to discuss the call for an unofficial one-day stoppage at London's Heathrow on January 23.

About 140 workers, members of the engineering and transport workers' unions will hold a joint meeting to hear a report from Mr. Harold Lord, the Amalgamated Union of Engineering Workers' convenor, who visited London yesterday.

The men are employed as ground handlers, engineers and maintenance staff.

British Airways in Manchester said it saw no immediate threat to services from the city.

Gas Girling vote

921 workers at the Lucas disc brake factory at Wotton, Wirral, are to decide their future by secret ballot.

Stewards will tell a mass meeting next Wednesday that have two choices—to join the plant or to accept a permanent compromise proposal.

The compromise, which involves retaining the railway section and 250 jobs, has been rejected by shop stewards. The company's original plan to close the whole plant in 1981 because of the recession.

BRIEFS

Teachers warned

TEACHERS IN Lincolnshire refusing to supervise children at lunchtime have been warned that details of their industrial action will go on to their personal files. The warning came as hundreds of children were sent home because of the boycott, which has hit 14 schools.

Plant hire change

EMPLOYEES IN the plant hire industry are, from February 23, to be exempted from the guarantee pay provisions of the Employment Protection (Consolidation) Act, 1978.

The exempted workers are those covered by the Plant Hire Working Rule Agreement, which deals with pay, classification and working conditions of skilled and other workers and the procedures for the avoidance of disputes and related matters.

No hospital strike

THE THREAT of strike action by ancillary workers at London's Great Ormond Street Hospital for Sick Children was lifted yesterday when only one-fifth of them turned out to vote at a mass meeting.

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and the hazards
and the stress
and the hold-ups
and the traffic
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JOBS COLUMN

What the 'average' director receives in cash

BY MICHAEL DIXON

WHEN I OVERHEARD a young man refer the other evening to company directors in general as "plutocratic playboys of callous capitalism," the accompanying figures were not available. Which is a pity.

They would probably not have weakened his convictions, for people who actually speak such phrases are typically blinded to any contrary evidence by their own pretensions to left-wing right-mindedness. But I'm sure that the message of today's table would have countered the effect of that young man's rhetoric on other members of his audience.

The table is drawn from *Directors' Rewards*, the first of what is intended to be a series of annual surveys, published this morning by Reward Regional Surveys in conjunction with the Institute of Directors.

The study covered the pay and perks in October-November last year of 2,236 company directors. Of this total, 1,737 were fully executive directors, 215 were partly executive, and 284 were non-executive. The full report therefore contains far more information than I have room for here, and readers wanting more should contact Bill Coudrey of Reward at 1 Mill Street, Stone, Staffordshire ST15 8BA; telephone Stone (0785) 814554.

What I have extracted from

Fully executive directors' median remuneration, October-November 1980

Type of industry	Chairman		Managing director		Other directors	
	Basic salary £	Total cash benefits £	Basic salary £	Total cash benefits £	Basic salary £	Total cash benefits £
Chemicals and allied—SIC V	20,500	27,300	18,250	20,020	19,250	22,500
Food, drink and tobacco—SIC III	20,000	23,000	21,500	22,800	21,000	21,300
Metal manufacture—SIC VI	20,075	26,387	16,000	19,800	15,375	17,146
Professional and scientific services—SIC XXV	20,000	26,500	19,250	20,500	17,500	19,500
Construction—SIC XX	17,700	21,400	14,549	20,000	16,350	17,500
Textiles—SIC XIII	17,000	20,000	20,000	20,000	17,500	19,000
Insurance, banking, finance and business services—SIC XXIV	15,000	19,750	18,500	20,200	18,000	18,800
Paper, printing and publishing—SIC XVIII	18,000	21,000	15,000	20,000	15,125	16,000
Electrical engineering—SIC IX	20,000	20,000	17,546	20,000	14,000	15,000
Computer services—no SIC code	—	—	14,227	17,405	17,125	23,375
Timber, furniture—SIC XVII	16,500	20,000	16,000	18,000	13,500	17,150
Other manufacturing industries—SIC XIX	19,000	18,000	18,000	18,720	15,000	16,800
Distribution trades—SIC XXIII	15,000	16,398	16,500	19,300	15,000	16,500
Clothing and footwear—SIC XV	—	—	17,300	20,300	14,915	18,165
Mechanical engineering—SIC VII	15,500	18,200	16,250	19,350	13,000	14,150
Miscellaneous services—SIC XXVI	16,250	17,900	15,300	17,500	15,200	16,000
Instrument engineering—SIC VIII	—	—	17,500	21,000	14,000	14,000
Transport and communications—SIC XXII	15,000	15,250	15,250	15,250	13,350	15,850
Bricks, pottery, clay and cement—SIC XVI	—	—	15,560	18,000	12,024	14,750

the survey is a list of 19 of the different industrial groupings defined by the Standard Industrial Classification, as ranked by the total rewards received in the form of cash by their fully executive directors. The left-hand pair of columns of figures refer first to the basic salaries and second to the total cash rewards of the different groupings' chairmen who work in a fully executive capacity. The middle pair of columns give the corresponding figures for the managing directors, and

the right-hand pair of columns similarly refer to the other directors. In every case, the figure printed is the median—the money received by the person halfway down the salary or total-cash-rewards ranking in each category represented in the table.

I would not deny that "average directors" so described are creatures of capitalism: the survey is apparently confined to Board-members of private sector companies. For all I know, some of them may be

playboys (less than 2 per cent of the total were women) and callous to boot. But I would not deny that the people portrayed in the table are plutocrats.

It is true that the most splendidly rewarded denizens of British Boardrooms may be somewhat under-represented in this particular survey. Of its total sample, only 7 per cent belonged to companies with turnover of £100m or more, another 4 per cent to those with £50m-£100m turnover, and the

remaining 80 per cent to smaller businesses. But precisely on that account, it seems reasonable to suppose that the directors portrayed here are more representative of the generality of their kind than are those who emerge from surveys concentrating on the biggest companies in the land.

It is true also that the rewards on which the table is based exclude perks received otherwise than in the form of cash bonuses and so on. But these non-cash perks, the survey

report says, are now largely confined to superior pension and insurance benefits, and a company car.

"Very few directors benefit from company-financed school-fee schemes, or subsidised accommodation, or even reimbursed private telephone costs," the report adds. And while the car and pension and insurance perks commonly supplied to senior managers in business companies are undoubtedly valuable, I cannot see that their worth is necessarily greater than the perks by way of generally greater job-security and index-linked pensions enjoyed by counterparts in the public sector. Which in turn makes interesting reading of the figures the survey provides of high-level salaries in the Civil and Armed Services.

Of the "average" company chairmen in the table, only two—those in the chemicals and the metal-manufacture groupings—have total cash rewards higher than the £24,500 salary quoted for deputy secretaries in the Civil Service and Vice Admirals, Lieutenant Generals and Air Marshals in the Armed Forces. Of the "average" managing directors, only those in the food industry and the instrument-engineering groups receive cash benefits greater than the £20,500 salary quoted for Civil Service under secretaries and Rear Admirals, Major Generals and Air Vice Marshals.

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A lawyer or a chartered secretary is required who can demonstrate a high intellect, professional excellence and personal authority, coupled with experience of similar responsibilities in an operating company of comparable magnitude. Preferred age: 35-45.

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Field controller

Greece, salary negotiable



The North Aegean Petroleum Company is the operator for an international consortium carrying out major oil and gas exploration and production operations in Northern Greece.

The successful candidate will supervise all accounting, treasury and budgeting activities at the Kavala office and will be expected to be a key member of the management team. This position is highly visible and should lead to rapid advancement.

You must be a Greek national with a university degree in business studies or economics, with a major in accounting. You must speak fluent English and be able to demonstrate at least six years' successful business experience, part of which must have been spent in the petroleum industry. An overseas accounting qualification will be an added advantage. A generous salary package is negotiable according to experience.

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Please contact: DORCAS WARD, Director

Family Housing Association

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for further information and an application form.
CLOSING DATE: Friday 6th February, 1981

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ICFC Corporate Finance is the financial advisory company in the Finance For Industry Group, which includes the Industrial and Commercial Finance Corporation.

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2. ASSOCIATE PROFESSOR/ SENIOR LECTURER/LECTURERS IN DEPARTMENT OF BUSINESS ADMINISTRATION in (a) Personnel Management and Industrial Relations; (b) Business and Industrial Law; (c) Computer and Quantitative Methods; (d) Production Management; (e) Business Policy.

Candidates should hold a Masters degree in Business Management or other relevant disciplines. Those with a doctorate or equivalent will be given preference. Teaching, executive and/or consultancy experience and familiarity with modern instructional methods in the field of Management will be an additional advantage. For posts under category 1, in addition to the foregoing requirements, a professional qualification such as ACCA or ACMA is desirable.

Salary scales: Associate Professor K10,056-11,028 p.a. Senior lecturer K8,748-9,732 p.a. Lecturer K5,988-8,640 p.a. (£1 sterling = K1.38). The British Government may provide salary supplementation in range £3,864-5,896 p.a. (sterling) for married appointees or £3,414-6,782 p.a. (sterling) for single appointees (reviewed annually - normally 2% free) and associated benefits. Superannuation or gratuity; housing; family passages; baggage allowance; overseas leave. Detailed applications (2 copies), including a curriculum vitae and naming 3 referees, should be sent by airmail to the Registrar, University of Zambia, Ndola Campus, P.O. Box 21692, Kitwe, Zambia, to arrive no later than 17 February 1981. Applicants resident in UK should also send 1 copy to Inter-University Council, 80/81 Tottenham Court Road, London, W1P 0DT. Further details are available from either address.

BURSAR

MANSFIELD COLLEGE, OXFORD

The College is seeking someone of considerable administrative and/or financial experience as a part-time Bursar from July 1981.

Further particulars from:
The Principal.

Management Consultancy

Graduate ACA or ACMA

City based
to £16,000

We are one of the leading firms of Management Consultants providing impartial and professional advice, often at board level. We offer ambitious accountants the opportunity to broaden their experience in an intellectually stimulating and challenging environment dealing with a wide range of clients and assignments.

Aged 26-35, you will have a good degree and examination record. Your career will demonstrate rapid progress and include at least two years in industry or commerce where substantial experience has been gained in:

- developing and preparing management accounts
- computerised systems
- costing
- stock accounting and control

Your personal qualities must include effective communication skills, commercial acumen and the determination to succeed. Above all, you must be able to solve problems.

To join us, you will need to prove you are an outstanding accountant with technical skills of the highest calibre. The first step is to send Geoffrey Thiel your personal and career details together with the reasons for your interest in consultancy, quoting reference 955/FL.

Alternatively telephone him for an informal discussion on 01-248 3913.

Deloitte Haskins+Sells
Management Consultants

128 Queen Victoria Street, London EC4P 4JX

Senior Marketing Executive

£20,000+car

Gateway Building Society
Worthing

The Society with assets of £750m., 350,000 depositors and over a hundred branches, has created this new appointment at General Manager level as being crucial to its further development.

Accountable to the Managing Director and supported by an established staff, key tasks will be to create a marketing strategy, promote new business, publicise the Society's schemes and control and develop its services.

Candidates, 37 to 45, and probably graduates, should be senior marketing managers preferably with service industry experience not necessarily gained in a building society.

Benefits include quality car and generous mortgage and relocation assistance.

Please write—in confidence—describing how the requirements are met to Lionel Koppen ref. B.42055.

This appointment is open to men and women.



United Kingdom Australasia Benelux
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Italy Scandinavia South Africa
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International Management Consultants
52 Grosvenor Gardens London SW1W 0AW

Far East Senior Portfolio Manager

Dynamic New Investment Group

Within the major overseas unit of one of the World's largest Banks, our International Investment Group is an exciting extension of our diverse global banking activities.

The creation of this role provides an opportunity for a person with extensive experience specialising in Far East investment research and institutional fund management.

He or She will be a conceptual and analytical thinker, degree qualified, and possess an impressive record of investment performance. The ability to communicate effectively with our highly professional client base and occasionally travel away from our City of London Head Quarters, are essential. A second or third language is highly desirable.

The substantial salary will be backed by the range of employee benefits you would expect from a major bank. These include non-contributory pension and life assurance schemes, preferential mortgage rates, free private health scheme, bonus, personal loan facilities, and a company car.

Please write with full career details to: Christine Merry-Price, The Chase Manhattan Bank, N.A., Woolgate House, Coleman Street, London EC2P 2HD.
Telephone: 01-600 6141
extension: 4415.



CHASE

Group Accounting

C. London

£11-12,000

The international headquarters of a U.S. group in the service industry with a turnover of over \$200m. seeks a recently qualified Chartered Accountant.

You will gain unique experience working with a small team responsible for management and financial reporting, financial analysis, budgetary control and development of group accounting procedures. Aged 25-28 you will have gained some post qualifying experience in international group reporting practices and preferably some exposure to U.S. accounting.

Opportunities for overseas travel and further responsibilities are limited only by your ability in this fast growing group.

Contact John P. Sleight, FCCA on 01-405 3499
quoting reference: JS/533/GAF

Lloyd Management

125 High Holborn London WC1N 6AA Tel: 01-405 3499

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If you are finding your talents wasted - we can help.

In the serious business of marketing yourself MINSTER EXECUTIVE provides the professional, individual and comprehensive career counselling service that has achieved outstanding results.

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As professionals we have an acknowledged standing in the employment market. We invite you to a preliminary discussion to discover why our clients have been so successful.

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38 Euston Street, London W1Y 5HB. Tel: 01-493 1309/1055

ADMINISTRATIVE ASSISTANT

Mexico

A Norwegian company engaged in international offshore construction activities has a career opening for an Administrative Assistant in our operations in Mexico reporting directly to the General Manager. The duties would be that of Office and Administrative Manager in charge of local office personnel and administration, accounting, co-ordination of crew changes including transportation, accommodations, etc.

The successful candidate will have an accounting background of at least five years' experience, will have an appreciation for personnel administration, and will have a knowledge of principles of general administrative work including billing, leasing, purchasing, insurance, etc. A working knowledge of Spanish or a willingness to learn the language is essential.

It is also essential that the successful individual and his family (if married) be prepared to change locations as required depending upon industry conditions.

An attractive package including a base salary, overseas allowance equal to 25% of base salary in recognition of location away from home environment, an annual bonus of 10% of base salary, plus a local cost of living adjustment dependent upon area of assignment. An annual vacation of four weeks plus cost of economy air fare to and from point of assignment to point of origin.

Replies to this advertisement should be addressed to:

P.O. Box 128, 4891 Grimstad, Norway
(Re: Administrative Assistant)

and should include a complete resume of education, experience, family status and availability. Replies should be at above address no later than 10th February, 1981. Potential candidates will be notified of time and place for a personal interview during week of 16th February, 1981, and ideally be prepared to report to area of assignment by 1st April, 1981.

NIGERIA

An established independent Shipping Line urgently requires:—

ADMINISTRATION/ FINANCIAL CONTROLLER

Owing to expansion of world-wide services to Nigeria, an established and successful European Shipping Line requires, with immediate effect, an experienced self-motivated person to control all administrative and financial affairs in Nigeria. Candidates for this position should ideally have had experience of working in Nigeria and/or other West African countries and will be directly responsible to the Line's Managing Director in Lagos.

The candidates should be aged 30-40. The salary will relate to age and experience but will be well into five figures plus generous overseas benefits including assisted housing, education and six weeks' annual leave with family passage paid.

Interviews will be held in late January or early February.

Curriculum vitae to Box A.7401, Financial Times
10, Cannon Street, EC4P 4BY

All applications will be treated in strict confidence.

Research Analyst

National firm of Surveyors and Valuers seek candidate to run an information research department

Qualifications

A University degree or equivalent professional or business diploma, with a grasp of Economics, Statistics, Computers, Marketing. (A knowledge of property is not essential.)

Job

- Includes:
1. Research on past property performance and future trends, effects of new legislation etc.
 2. Administration of Technical Library, Mailing Lists, Press Cutting Service, Credit Reports, Microfilming etc.

Salary

To reflect the importance of this post and the experience of the candidate.

The candidate must be capable of initiating research and identifying information particularly in the commercial property sector.

Apply with C.V. to Ref: MT

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Elizabeth Hse. Suffolk St. Queensway,

BIRMINGHAM 021-643 2924

Sunley Building, Piccadilly Plaza,

MANCHESTER 061-236 3732



InterExec

Financial Accounting In Merchant Banking

c. £17,000

A merchant bank, which is a household name in the City, is planning the future staffing of its chief accountant's department, taking account of the retirement of senior people in the next few years.

A qualified accountant (F.C.A. or F.C.C.A.), male or female, probably 35-45, is sought to become thoroughly familiar with all the operations of the bank both in the U.K. and overseas with a view to filling one of the senior positions. The appointment is based at the administrative centre outside the City.

Suitable candidates will have experience as managers in a large professional practice or at assistant chief accountant level in commerce, ideally banking.

Remuneration includes substantial profit-sharing and should give in the region of £17,000. There is also mortgage assistance and other attractive fringe benefits.

For an application form write to M. J. H. Coney, Executive Selection Division, quoting reference R3204/L.



Peat, Marwick, Mitchell & Co.

Executive Selection Division: 165 Queen Victoria Street, Blackfriars, London, EC4V 3PD.

Financial Control on a European Scale

£11,500 & Car

A member of the Quinton Hazell Group, Quinton Hazell Automotive has a turnover of around £70 million and employs some 2,000 people at 12 locations in the UK, Holland, Italy and Eire. The company is profitably employed in the manufacture, marketing and distribution of a comprehensive range of automotive components and is a market leader in significant areas of its product range. We are now poised for a period of extensive further development into Europe.

Following recent promotion, we are now seeking to appoint a dynamic Financial Controller to take functional responsibility for accounting in each of the company's European trading operations and to co-ordinate and prepare the Group's operating budgets.

Based at our distribution headquarters in Nuneaton, Warwickshire and reporting to the Financial Director, the person appointed will play an important role in shaping future financial policies and will undertake a significant responsibility for further development of control systems and procedures.

Aged around 30, the successful candidate will be a qualified accountant educated to degree level and of sufficient maturity to manage functional relationships effectively.

He/she should have at least five years broad industrial experience but should be able to demonstrate a close involvement with computerised systems, budgeting and project appraisal. A knowledge of European accounting conventions would be a distinct advantage.

The terms and conditions of employment are as expected of a major company, relocation expenses are payable where appropriate and promotional prospects are really good, extending to our parent company, Birmah Oil.

Please forward a detailed C.V. or telephone or write for an application form to: Mr. S. A. Isherwood, Personnel Manager, Quinton Hazell Automotive Limited, Hazell Way, Bernada Road, Nuneaton CV10 7DD.
Telephone: Nuneaton (0582) 326220.



Quinton Hazell Automotive Ltd

ACCOUNTANTS

LONDON NW1

£9-11,000 + CAR

Our clients are a substantial (turnover £70m) public consumer products group. As an aid to growth they wish to develop financial control by strengthening their head office finance function.

Successful candidates' duties will include intelligent analysis of company data; active participation in the group finance team; and ad hoc projects and investigations. The positions call for extensive liaison with accounting and other staff in operating subsidiaries to ensure production of prompt and accurate reports and to develop budgets, plans and financial controls.

Applicants should be qualified accountants with commercial or industrial experience, preferably in their late twenties or early thirties. They should be self-motivated, positively numerate, able to communicate effectively and capable of earning promotion within the group.

Applications will be forwarded direct to our client. Please send a comprehensive career résumé, including salary history (and indicating any firms to whom you do not wish to apply), quoting ref. 1085, to G. J. Perkins.

Touche Ross & Co. Management Consultants

Hill House, 1 Little New Street, London EC4A 3TR. Tel: 01-353 8011.

TAX SPECIALIST INTERNATIONAL GROUP

London

£12,000 - £14,000 + Benefits

Our client is an international shipping group which, in 1979, generated an operating profit of \$44m on a turnover of nearly \$200m and, after a period of diversification, is now well-placed in the market.

Certain financial and management services functions are located in London and the company now wish to recruit a Tax Specialist to join the recently appointed Director of Taxes. This provides an excellent opportunity to contribute to the development of the tax function and thereby gain experience in international tax as well as planning, research and special projects.

Candidates (male or female) should possess an accounting qualification or ATT and will probably be in their late 20s/early 30s. They may currently be in practice, commerce or industry but must have at least two years corporate tax experience and £12,000-£14,000 the company offers an excellent range of benefits which include non-contributory pension scheme, free lunches, and free accident, travel, medical and long-term disability insurances.

For more detailed information and a personal history form please contact: Ronald Vaughan FCMA, 410 Strand, London WC2R 0NS.
Tel: 01-836 5501, quoting ref. 3054.

DOUGLAS LLAMBIAS

Douglas Llambias Associates Ltd.

Accountancy and Management Recruitment Consultants

and at 26 West Nile Street, Glasgow G1 2PF (041-226 3101)

3 Coates Place, Edinburgh EH3 7AA (031-225 7744)



Taxation Manager

International Banking

c. £16,000

Our Client, a British International Bank, requires a Taxation Manager for its Group Taxation Department.

Applicants, probably 30-45, should preferably be Chartered Accountants (or former Inspectors of Taxes), with at least two years' experience at management level in the Corporate Tax Department of an International Company. Applicants should be self-motivated and have the presence and skills to communicate effectively with senior management.

An excellent salary and benefit package, including mortgage assistance, is offered.

Candidates, male or female, should reply as soon as possible, indicating any companies in which they would not be interested, to:

J. D. Vine, Account Director (Ref. CRS/197)

Lockyer Bradshaw & Wilson Limited,

North West House, 119/127 Marylebone Road, London, NW1 5PU.

LBW

LOCKYER, BRADSHAW & WILSON
LIMITED

A CHALLENGING POSITION-ABROAD IN CONTROLLING WITH AN INTERNATIONAL CORPORATION

We are a well-known, broadly diversified international company whose turnover in Europe alone annually amounts to several billion dollars. We are organised as product divisions, whose European headquarters management teams plan, co-ordinate and control the activities of their subordinate national manufacturing companies—employing a management information system that is recognised both in business theory and practice as being one of the most efficient and advanced in the world.

A critically important element of this system is our central financial analysis and control function, responsible for ongoing evaluation of management results against plans, enabling us to identify variances and weaknesses with the speed and accuracy required to allow operative management to take timely corrective action. For this function we are seeking a

FINANCIAL ANALYST

who will ideally be a business graduate between 25 and 35 years of age who has gained several years of practical experience either in a large auditing firm or in the controlling function of an international manufacturing company. He/she will be well versed in all aspects of cost accounting and controlling and have some knowledge of European tax law as well as financial accounting. Fluency in a European language would be a decided advantage.

If you are seeking a position in which you can quickly assume a high degree of responsibility and travel internationally and which will lead to interesting career opportunities, you should talk with us. Please call our consultant, Mr. H. Boegler at 01-828 5584/5701 between 9 a.m. and 5 p.m. or write to him at the address below.

inter elect

Management Consultants Limited,
110 Catherine Place, London SW1E 6EE. Tel. 01-828 5584/5701

A new group appointment

Group Audit Manager

London c. £15,000+ car and benefits

Our client is a large quoted group with diverse interests located both in the U.K. and internationally.

The Group Audit Manager will report to the Financial Director and establish and develop the new department. Responsibilities will include reviewing and evaluating the accounting systems and reporting procedures throughout the group. Improvements in operating controls and procedures will be recommended and the department will be expected to contribute to overall efficiency and profitability.

Candidates must be qualified accountants probably aged 28-35. Experience of working in Internal Audit within a substantial group together with drive and the ability to communicate at all levels are important.

A travel commitment of 60% is anticipated and the freedom to travel as necessary is essential.

Prospects for advancement are excellent.

Please write submitting career details to Dr. L. Martin, c/o Whites Recruitment Ltd., or telephone 01-437 6037 for further information quoting Ref. 107.

Whites

Whites Recruitment Limited, 72 Fleet Street, London EC4Y 1JS
Offices: Aberdeen, Bristol, Glasgow, Leeds, London, Manchester
and Wolverhampton.

Investment Analyst

Major Institution

Our client, one of the leading institutions in the City with portfolios in many markets, seeks an analyst of high calibre who wishes to specialise in the Far East.

The successful candidate will probably be aged 24 to 30 with a good track record of 2 to 4 years experience in investment research—gained within a Stockbroker or Institution. Knowledge of the Far East, particularly Japan, may be an advantage but proven analytical ability and a keen interest in these markets are more important.

Remuneration, by way of salary and benefits, will certainly be attractive to the right person.

Please contact F.J. Stephens who will treat all enquiries in the strictest confidence.

Stephens Associates
International Recruitment Consultants

33 Dover Street, London W1X 3JA. 01-493 0617

International Corporate Finance

Due to the expansion of our business activity, we wish to recruit a number of Executives for the Corporate Finance Department. The department is responsible for marketing the full range of the bank's services on a worldwide basis, and for the negotiation and execution of public issues, private placements, acquisitions and other corporate finance transactions.

The ideal candidates, who will be in their mid to late twenties, will already have some experience in these areas of activity and will be looking for an opportunity to develop their careers in a new and stimulating environment. They will probably have obtained their experience in the Euro market department of an International Bank, Merchant Bank or Investment Bank, or in a firm of solicitors or chartered accountants involved with Euro market business. Trained financial analysts with a graduate degree or MBA and with experience in eurocurrency lending or project finance will also be considered.

Fluency in an additional language, while not essential, would be an advantage and a willingness to travel is essential.

An attractive remuneration package will be offered to successful applicants.

Applications, including a curriculum vitae, should be sent to:

J. P. Fane
Executive Director
Orion Bank Limited, 1 London Wall
London EC2Y 5JX

ORION

Chief Accountant/ Company Secretary

(Multiple Retailing)

A Qualified Chartered Accountant is required for this important position in a Leicester-based public company. The principal activity is Footwear Retailing through 180 branches with a turnover of £15m.

The successful applicant will be responsible for all financial matters affecting the company and will be required to attend Board Meetings as Company Secretary.

Applicants (male or female) should be aged between 30 and 45 and should have at least five years' experience in industry or commerce. Salary will be dependent on experience, but will carry with it the usual fringe benefits for a position of this nature.

Please write, giving details of qualifications, career to date, present salary etc. to:



C.R. Hilton, F.C.A.
Deputy Chairman,
Hiltons Footwear Ltd.
Scudamore Road,
Leicester, LE3 1UP.

Operations Manager

An Operations Manager is required to develop the London Treasury of a diverse multinational Group, and to assist the Group Treasurer in the application of cash planning techniques on a world wide scale.

Suitable candidates, male or female, will have extensive experience in the Operational Departments of an International Bank, will be familiar in depth with foreign exchange and money markets, and ideally will be Associates of the Institute of Bankers. They will be attracted by the opportunity to broaden their experience in a major conglomerate.

Applications giving comprehensive details of education, experience, present salary and other benefits should be sent to:
H. H. Clarke, Amalgamated Metal Corp. Ltd., Adelaide House, London Bridge, London EC4R 9DT.



Amalgamated Metal Corporation

Money Broking

Are you experienced in either Corporate Finance or Local Authority borrowing?

We have important and challenging opportunities for people with flair and imagination to join an already successful money broking team of high repute.

The financial package will be extremely attractive and commensurate with the importance of the posts.

Applications in strictest confidence should be addressed to:

The Managing Director, c/o Box No. A7402
Financial Times, 10 Cannon Street, EC4P 4BY

International Sourcing

A key negotiating role worldwide

In its specialised area of high volume distribution of hard components our client has established itself as a market leader with a world-wide turnover in excess of £250 million. It has now decided to take a long term view of its overall marketing strategy and is examining potential sourcing facilities throughout the world.

This planned expansion presents a unique challenge for a proven self-starter to take on the role of International Purchasing Executive.

Reporting to the Purchasing Director and utilising the substantial back-up facilities of an experienced UK purchasing function, the appointee, preferably aged 30-45, will be responsible for negotiating at an international level to determine world-wide product sourcing. Although UK based, this position will involve considerable overseas travel.

In addition to entrepreneurial flair you must be able to demonstrate awareness of exchange control and international finance techniques and experience of Governmental export/import departments/agencies allied to a thorough knowledge of international procurement. You will probably have an economics qualification and your background could be with either a multi-national organisation or a city based financial agency involving hard commodities.

Career prospects for the "achiever" are highly attractive. Salary and benefits will be discussed at interview.

Please write in total confidence with full career history, details of current income and availability for interview. Also mention any organisations to whom your application should not be forwarded.

Peter Barnett, (quoting ref: 8057), Barnett Keel Personnel Consultancy Services Ltd., Providence House, River Street, Windsor Berks SL4 1QT. Tel: Windsor 56723.

Barnett Keel
MANAGEMENT SEARCH

INTERNATIONAL SETTLEMENTS MANAGER

Our client is a leading City Stockbrokers who are seeking an individual with good practical knowledge in the settlement of international business in a major City stockbrokers and who also has some experience of management and the design of systems.

We think it doubtful that applicants will be fully conversant with all the major markets, namely North America, South Africa, Australia, Europe and the Far East, but to be considered for this position they must have several years' experience in at least three of these markets.

The ideal age range would be 30-40, and whilst an accounting qualification would be useful, practical experience is of overriding importance. Remuneration will include competitive salary, attractive bonus, and will be negotiable.

Please send a comprehensive career résumé, including salary history, quoting ref. 1086, to W. L. Tait.

Touche Ross & Co. Management Consultants
Hill House, 1 Little New Street, London EC4A 3TR. Tel: 01-353 8011.

STERLING DEALERS

could you market your own capabilities?

ARE YOU a Sterling Deposit Dealer who enjoys the job but could cope with an extra dimension? If so then here is an opportunity to join a prime SWISS bank dealing team, marketing the sterling capabilities of the Bank as well as being responsible for the sterling book.

In addition to your dealing skills you will need the personality to gain the respect of clients and the ability to work as an individual yet an integral part of the dealing team.

Your career probably started in a Clearing Bank or an International Bank in Operations or in Credit. Ideally you know Foreign Exchange accounting and position keeping well. You see your career in the

Dealing Room but are not closed to other interests.

SALARY. For candidates in their early thirties with experience and potential salary is circa £14,000. With bonus, free lunches and commuting plus housing loan subsidy, this figure could easily reach £18,000.

INTERESTED? Then forward CV emphasising how you meet the criteria, or telephone for an application form to Ian L. Duff, MBA, AIB, Cripps, Sears & Associates, Consultants to the Bank, Burne House, 88-89 High Holborn, London WC1V 6LH. Telephone: 01-404 5701 (24 hours). Telex: 893155 CRIPPS G.

This appointment is open to both men and women.

Cripps, Sears

Jonathan Wren Banking Appointments

The personnel consultancy dealing exclusively with the banking profession

EQUITY SALES
£10-15,000

Merchant banking arm of major continental bank seeks two executives, with stockbroking or trading house backgrounds, to participate in marketing a range of equities and Eurobonds. Excellent working atmosphere; very good benefits.

LEASING
£12-17,000

Leasing executive required by leading bank. Age up to 40, with degree professional qualification and significant experience in both technical and marketing aspects of "big-ticket" leasing.

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£10-15,000

Aged 25-35, with 3-5 years' active spot forward dealing experience. Two openings, one at the new London Branch of a substantial overseas bank, the other at a leading Accepting House.

CREDIT ANALYSIS
£10,000+

Experienced bank credit analyst, 25-35, for senior credit appointment with European bank. Knowledge of Spanish or Portuguese advantageous, although not essential.

LOAN ADMIN.
c. £10,000

Manager, aged late 30s early 40s, with clearing bank background of charged securities followed by syndicated Eurocurrency loan admin. in international banking.

E.D.P. AUDITOR
c. £10,000

For leading international merchant bank. Aged 25-35, with E.D.P. systems development experience in banking.

ACCOUNTING
c. £10,000

Assistant to Chief Accountant at London Branch of U.S. bank. Full range of international bank accounting procedures. Preferred age 30+.

For further details, please telephone Kevin Byrne or Paul Trumble.

First floor—entrance New Street
170 Bishopsgate London EC2M 4LX 01-623 1266

Head of Financial Planning International Banking London

Bank of America, the world's largest international bank, is seeking an experienced professional to manage the financial planning, analysis and control function for its Europe, Middle East and Africa Division. The development of management information systems and new planning strategies, and profitability improvement projects are major aspects of this challenging appointment.

Candidates, qualified accountants or MBAs aged 28-35, should have at least five years experience in the development and operation of advanced financial planning, budgeting and control systems including responsibility for financial review presentations, at a management level, preferably in a multi-national environment.

Exceptional career development opportunities exist within the Bank's international operations. Salary will reflect the senior nature of this appointment and benefits are in line with best banking practice.

Write in strictest confidence with full personal, salary and career details to:- A. J. Tucker, Recruitment Officer, Bank of America NT & SA, 25 Cannon Street, London EC4A 4HN.



CHIEF FOREIGN EXCHANGE DEALER Hongkong

The further in-house career development of the present incumbent will shortly produce an excellent opportunity for an experienced dealer to take over the management of this active and varied foreign exchange and deposit operation.

As chief dealer in one of our largest branches, the successful applicant will be expected not only to display technical mastery of international exchange and money markets, but also to provide a first-class support service to the Bank's commercial clientele. Several years' successful track-record as a dealer in major financial institutions is essential for this demanding position.

An established market-profile and in-depth knowledge of the Asian financial centres would be distinct advantages, as would proven ability to manage and motivate a dealing-team in a highly competitive environment.

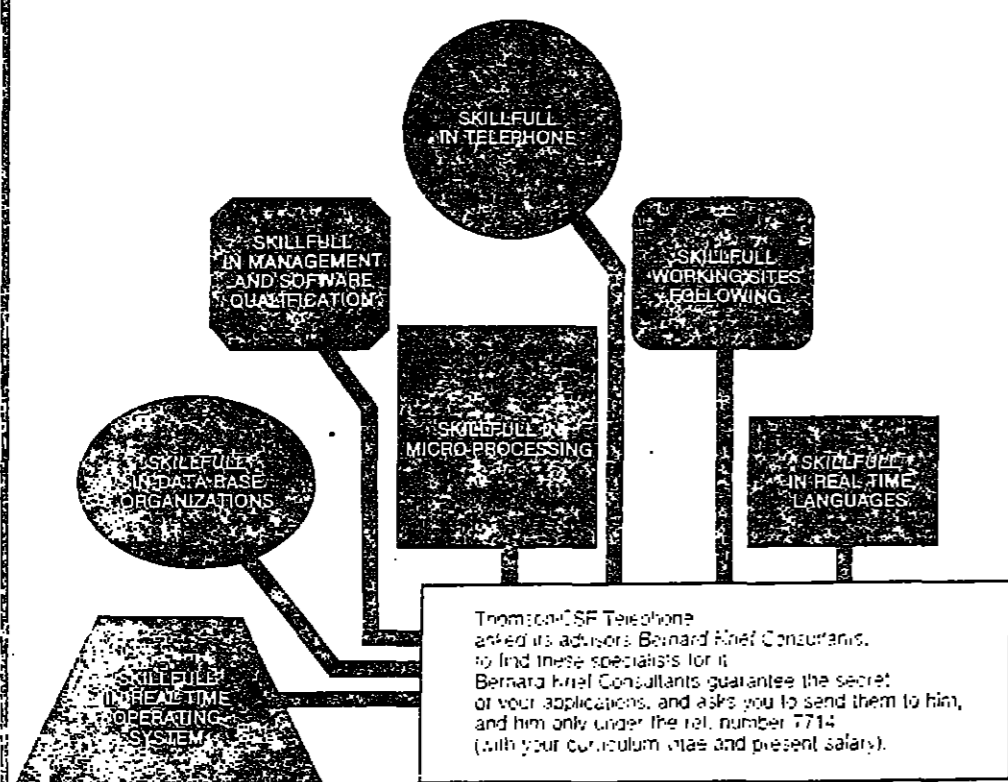
An attractive remuneration package is available for the right candidate, and further career prospects within our expanding institution are excellent. Applicants are invited to submit their full curriculum vitae in complete confidence to: Chief Personnel Manager, European Asian Bank, Rathausstr. 7, D-2000 Hamburg 1, West Germany

European Asian Bank

HAMBURG · BANGKOK · BOMBAY · COLOMBO · HONGKONG · JAKARTA · KARACHI · KUALA LUMPUR · MANILA · SEOUL · SINGAPORE · TAIPEI · SYDNEY

THOMSON-CSF TELEPHONE

Within the frame of its export development and of the evolution of its technological possibilities, our group is looking for specialists in the design and development of Real-Time systems, for temporal switching.



BERNARD KRIEF CONSULTANTS-département informatique-
1, rue Danton 75263 Paris Cedex 06

Analyst/Dealer Investment Department

The activities of B.A.T. Industries are on a worldwide basis with principal operating groups involved in tobacco, paper, retailing, cosmetics, and printing and packaging. This is an opportunity for an Analyst/Dealer to broaden his or her investment experience at our Group Headquarters in Victoria SW1.

You will make a major contribution to the management of in-house pension fund portfolios. This will include analysing the UK equity market, making recommendations, dealing, and monitoring portfolio performance. Deputising for investment managers and representing the Company externally will also be involved. Most of the work will be UK orientated, but will also involve overseas equity markets, particularly Japan and USA.

Ideally aged under 30 and educated to degree level, you should have at least 3 years' experience, probably in an investment institution, bank or broker.

Career prospects are excellent, and major company benefits include non-contributory pension scheme, life assurance and flexible working hours. Salary negotiable depending on age and experience.

Please apply for an application form, or initially forward brief details including salary to: S. Miles, Personnel Manager, B.A.T. Industries Limited, P.O. Box 345, Windsor House, Victoria St., London SW1H 0NL.

BAT
INDUSTRIES
LIMITED

Group Financial Director

Birmingham

c. £20,000

Our client, a publicly quoted and profitable British Company with several manufacturing plants located in the U.K. and Continental Europe, has sales in excess of £20 million and 800 employees.

As part of the expansion of the Company's activities, a Group Financial Director is required to improve and act on decentralised financial controls, and assist the Managing Director in corporate finance matters. He/she will also evaluate potential acquisitions and progress them to completion.

We seek a qualified Accountant, preferably aged between 33 and 40, who is currently a Financial Controller/Chief Accountant of a substantial operation. Remuneration will be c. £20,000 plus car and normal fringe benefits.

Please telephone George Cacas at 01-439 6007/9 or write in confidence to:-



Paul R. Ray International Inc.,
25-28 Old Burlington Street,
London W1X 1LB.

BARBADOS - SUNSET CREST RESORT FINANCIAL COMPTROLLER

BARBADOS \$48,000 p.a.

This is an excellent career opportunity as the Financial Comptroller of one of the largest and most diversified hotel operations in the Caribbean.

Reporting to the Managing Director, this person will be a key member of the management team and will have overall responsibility for the accounting and treasury functions of the business. These duties will include the supervision of an accounting staff of fifteen persons and the planned development of a computer based management information system.

The successful candidate should be a qualified accountant with at least three years post qualification experience. Consideration will be given to others who are currently chief financial officer of a major hotel.

Candidates must be available to commence this appointment in Barbados by 1st May 1981.

The Managing Director will be visiting London from 26th-30th January 1981 to conduct interviews of candidates.

All replies will be forwarded direct to our client. Please send a comprehensive career résumé, including salary history, to P. L. M. Mann.

Touche Ross & Co.,

Hill House, 1 Little New Street, London EC4A 3TR. Tel: 01-353 8011.

COMPUTER PROGRAMMERS

Due to the expansion of our computer operation, opportunities have arisen for two programmers within a major firm of City stockbrokers.

We require:-

(a) A FORTRAN Programmer, with at least 2 years' experience preferably in financial and investment fields to work on a wide range of research projects. It is likely that many of these projects will ultimately be transferred to micro computer using BASIC programs for which additional relevant training will be given.

(b) A COBOL Programmer, with at least 2 years' experience in City financial applications, to work within a team in developing a new comprehensive computer package employing not only a large main frame computer but also an extensive communications network interfacing with both mini and micro computers.

Starting salary according to age and experience, plus Profit Sharing, Non-contributory Pension Scheme and BUPA.

Please write enclosing C.V. to:-

Mr. R. Neal

W. GREENWELL & CO.
Bow Bells House, Eard Street, London EC4M 9EL



M.D.

Electronics-based technology £30-35,000

Strongly market-orientated, this public company with worldwide sales in excess of £30m, has several operating divisions each of which has a significant presence in its own field. Instrumentation and communications equipment and components are researched and developed within the group, which also shares a joint venture company with a major British enterprise. To lead the company to further profitable expansion, an MD is required who is already practised in the general management role, preferably in a high-technology company. An appropriate engineering qualification is expected, and a strong strategic sense will

be a key requirement, as well as an understanding of the particular features of directing a quoted company. Age range: late 30s-mid 40s. Headquarters in Central London. Remuneration and benefits will be generous and closely related to success in the post. Ref: GM26/7552/FT. Initial interviews are conducted by PA Consultants. No details are divulged to clients without prior permission. Please send brief career details or write for an application form, quoting the reference number on both your letter and envelope, and advise us if you have recently made any other applications to PA Personnel Services.

PA Personnel Services

Hyde Park House, 6th Knightsbridge, London SW1X 7LE. Tel: 01-235 6060 Telex: 27874



A member of PA International

Investment Manager Fixed Interest

We are an established City-based insurance company with funds exceeding £100 million, specialising in worldwide reinsurance.

We now require an experienced man or woman to manage the fixed interest section of the Company's investment portfolios.

A minimum of 5 years' experience of all significant international bond markets is necessary. The successful candidate will be required to formulate and present a coherent investment strategy and have a full knowledge of stock exchange administration and accounting procedures applicable to bonds.

The person appointed will be working in a closely knit team and will be expected to make a full contribution to its development and performance.

The Company regards this as a key appointment and negotiable salary and benefits will take this into consideration.

Applications, giving full details of career to date and present remuneration, are invited and will be treated in the strictest confidence.

Please apply in the first instance to: Ms. E. Wilkinson, Personnel Officer, Terra Nova Insurance Co. Ltd., 41-43 Mincing Lane, London EC3.

Terra Nova Insurance
Company Limited



INVESTMENT MANAGEMENT

A major firm of stockbrokers seeks a Senior Investment Manager to work in its Fund Management Department. Primarily, the successful applicant will advise on the U.K. equity portfolio of a small number of very large pension funds. In addition he, or she, will act as manager to a set of smaller pension funds. In both cases a partner will be in overall charge, but a considerable degree of independence would quickly exist for a well-qualified investment manager. The job should appeal to those who like to take responsibility for investment decisions and who enjoy dealing for a variety of different clients. An important requirement is the ability to prepare professional written material for clients' investment review meetings and then to present the main points cogently.

Salary according to experience and with benefits should prove very attractive. Prospects are excellent.

Please write in the first instance to:

Box 3780, Financial Times
10 Cannon Street, EC4A 4BY

Lease Broking Opportunity

Butler Till Ltd., a leading sterling money broker, have an exciting position available for an experienced Lease Broker in their London offices. He/she will quickly become an important part of a busy team concentrating on leasing to Local Authorities and commercial concerns and will need leasing experience gained in a Merchant Bank, Local Authority or any other relevant body.

Although a professional qualification in Accountancy or Law would be helpful, a successful career background is considered to be of greater importance.

An above average remuneration package is offered for this position together with career prospects, BUPA, Pension Scheme, house subsidy scheme etc.

Please write in the strictest confidence with full details of career to date to:-

M. H. R. Young, Director,
Butler Till Limited, Adelaide House,
London Bridge, London EC4.

BUTLERS

Butler Till Limited
International Money Brokers Who Set The Pace

Innovative Chartered Accountant
(FINANCIAL DIRECTOR MATERIAL)**to £14,000 + car****MARYLEBONE - LONDON NW1**

This well established publicly quoted British company has steadily increased its turnover over the last 5 years and has returned record profits for 1980. Wishing to continue this growth pattern they are now to appoint a Chartered Accountant with 3 years' post qualification experience.

The appointee will work closely with the Finance Director on a variety of matters covering cash management, investment appraisals, tax planning, acquisition and feasibility studies as well as having responsibility for the more regular tasks. These will include consolidated quarterly and statutory accounts, group annual budget, monthly management accounts and company secretarial duties.

Attendance at local Board meetings is an important facet of the role and after a period of familiarisation the successful candidate will be expected to make a positive contribution, generate ideas, advise where necessary on technical matters and also express the group point of view to subsidiary Directors.

The breadth of experience to be gained in this position will provide an excellent base for future career progression.

Interested candidates should apply in confidence to:-

Sheldrick, Sedgwick & Goodyer

25 John Street, Gray's Inn, London WC1N 2BL. 01-405 9843

Senior accountancy & financial management selection

Financial Institutions Specialist**International Banking**

The Financial Institutions Group in Bank of America's London Branch is responsible for developing and maintaining worldwide relationships with insurance companies and brokers, stockbrokers, investment and unit trusts, and other institutions.

Continued expansion has created the need for an experienced banker to manage existing accounts and market the Bank's services to prospective new clients. Candidates should have a sound knowledge of international banking activities, coupled with strong analytical skills and a successful record of developing profitable new business, preferably with companies in the Financial Institutions' sector.

Prospects for career development are excellent and a competitive salary will be accompanied by an attractive package of fringe benefits.

Write in strictest confidence with full personal, salary and career details to:- A. J. Tucker, Recruitment Officer, Bank of America NT & SA, 25 Cannon Street, London EC4P 4HN.

**BANK OF AMERICA****JAMES CAPEL & Co.****ECONOMIST**

We are looking for a young economist to join our team to assist in the preparation of monthly reports on the UK and international economies. He/she must be able to analyse monetary, interest rate and currency trends and to write quickly and succinctly. A knowledge of econometric techniques would be advantageous.

The remuneration package will reflect the priority we attach to this appointment.

Please write in confidence, enclosing full C.V. and, if possible, examples of recent written work to:

Keith Jones

James Capel and Co., Winchester House
100 Old Broad Street, London EC2N 1BQ**International Appointments****INTERNATIONAL APPOINTMENTS**

THURSDAY 22nd JANUARY 1981

Commencing on 22nd January our regular Thursday Appointments pages will include a special section headed "International Appointments".

This new section is expected to become the market place for all higher executive and management positions which are of interest to the internationally-minded businessman.

The International Appointments section will appear in both the London and Frankfurt editions at a cost of £22.50 per single column centimetre.

For further details of advertising in this section

telephone

01-248 4782

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER**The best accountants are ambitious**

London base, £12,000 - £16,000+



Even a highly successful career with one or two organisations can leave an able and ambitious accountant looking for additional experience and challenges to provide a better base for the demands of the future.

A period in consultancy can meet that need by exposing you to a wide range of technical and commercial problems and to new industries. The work is demanding but satisfying. You will be required to deal with management at all levels, and your work will fall in some or all of the following main areas:-

- systems assignments, involving the development and implementation of management information, costing and accounting systems, usually involving computers
- profit planning and improvement studies, which means working with marketing, production, O&M and other specialists
- financial analysis, including investigations and feasibility studies, often working in conjunction with our economic studies staff.

We will expect you to be a qualified accountant in your late twenties to mid-thirties; have a record of success, ideally in one or more industries; have a flexible, enquiring and creative mind; and a drive to succeed. There will be travel in the UK and there may be opportunities for short term travel or longer term transfer overseas.

Please telephone Edward Simpson on 01-606 4040 or send him your résumé, including a daytime telephone number, quoting Ref. SF20/61.

Coopers & Lybrand associatesCoopers & Lybrand Associates Limited
management consultantsShelley House, Noble Street,
London EC2V 7DQ**Management Opportunity for Accounting Professional**

If you have set your sights on a top financial management post, this is a first-class opportunity to realise your ambitions with a successful Aberdeen firm of offshore contractors as a:

Financial Manager/Controller**C. £16,000 + Car**

You must be prepared to show a total commitment to the company through active involvement and effective leadership in both financial and commercial areas under your control.

Reporting to the Managing Director, you will be responsible for ensuring that accounting staff and procedures operate to the company's maximum advantage.

In addition to financial expertise you must have a highly developed business sense in order to play a vital role in the company's development.

The successful candidate will be a fully qualified Accountant with an impressive record in commercial or general management.

The excellent rewards package offered includes first class benefits and reflects the qualities and credentials of the individual who will be appointed to this exceptionally challenging senior position.

Applicants, male or female, should contact:
ROGER GEDDES on (0224) 21231,
3 Golden Square, Aberdeen AB1 1RD
(Answering service outside normal hours). Register for Executive Post.

PER
Professional & Executive Recruitment**DOCUMENTARY CREDITS TRADE FINANCE**

The London Branch of a Swiss-based Multi-national Bank is seeking an experienced banker to manage its high volume documentary credit processing and finance department.

Creativity in trade finance and personal drive in business development are the key personal attributes to success in this important position. Candidates, aged 28-35, should have at least five years comprehensive experience in this field. Proven supervisory and marketing abilities are essential. A working knowledge of Spanish would be a major asset.

The remuneration would reflect the importance of the position.

Please reply, in confidence, enclosing full curriculum vitae, to:

Box A7400, Financial Times,
10 Cannon Street, EC4P 4BY**EUROPEAN SALES REPRESENTATIVE FOR UNIQUE OIL & GAS SECURITIES PRODUCT**

NEEDCO International is seeking qualified individual to represent it in Europe. This will require the services of an individual who is generally familiar with oil & gas income programs, has broad European securities knowledge, is familiar with institutional and retail markets in Europe and has the record of accomplishments and incentive consistent with this unusual position. Office will be in London. Interviews for the position will be in London. Please send resumes to:

Box A7396, Financial Times,
10 Cannon Street, EC4P 4BY.**INTERNATIONAL INVESTMENT**

An organisation based in London which advises very substantial funds on all aspects of international portfolio investment including broad policy, economic trends and stock selection seeks individual aged early 30's for exceptionally interesting appointment. Personality and potential for development are important as additional responsibilities could be assumed in due course. Some institutional or equivalent experience of North American or Japanese securities, together with a good academic background, would be helpful.

Write in the strictest confidence to:

Box A7397, Financial Times,
10 Cannon Street, EC4P 4BY**Financial Controller**

West Midlands

to £16,000+car

A subsidiary of a large quoted group, our client is a steel stockholding company with depots located throughout the country.

The Financial Controller will work closely with the Managing Director and have responsibility for controlling all financial aspects of the business. Emphasis will be on performance review and planning. Important areas will be contract appraisal, costing, and control of stock levels and debtors. Computerisation at the depots is planned.

Candidates must be qualified accountants, probably aged 35-45, who have commercially orientated experience, ideally with a multi-location business in the service or distributive sector. A high degree of self motivation and the ability to command the respect of management of varying disciplines are also important.

Please write submitting career details to Dr. L. Martin, c/o Whites Recruitment Ltd., or telephone 01-437 6141 for further information quoting Ref. 110.

Whites

Whites Recruitment Limited, 72 Fleet Street, London EC4Y 1JS

Offices: Aberdeen, Bristol, Glasgow, Leeds, London, Manchester
and Wolverhampton.**BANKING**Documentary credits,
bills

Around £10,000 plus bonus

Ideal position for banker in films or security required to supervise small section in London branch of leading Japanese bank.

Please contact:

D. H. C. Crane
Tel: 01-428 5621**ASSISTANT CASHIER****PRIVATE CLIENTS LEDGER CLERK**

FOR CITY STOCKBROKERS

Previous experience essential. Good salary, profit sharing scheme, LVS, etc.

Contact: Office Manager (PJR) on
606 6622**MANAGER**

Anglo-American operation seeks energetic entrepreneur (M/F) with experience to manage and expand existing industrial/service laundry business and expand small property portfolio. Must have sound references and be able to work with demanding U.S.-based chairman. Salary and incentives by negotiation.

Send two copies of resume to:
BIRKBECK MONTAGUS
(Ref. MHB)

7 St Bride Street, London, EC4

Jonathan Wren & Co., Ltd.

International Financial Recruitment

INTERNATIONAL COMMODITY TRADER

Our clients, the London executive office of a Wall Street Corporation, wish to expand their considerable volume of international trading in agricultural commodities such as grains, oils, meat, etc.

It is intended to engage an additional high-calibre trader of proven experience in international commodity business who would be at present in a high income bracket.

Shortlisted candidates are likely to be in the age range 35-45, educated to degree level, well travelled, and fluent in at least one European language in addition to English.

A substantial salary is offered to the right person.

If you are interested, please telephone or write in the first instance to Paul Trumble, Consultant. Written applications should include a detailed Curriculum Vitae which will be treated in the strictest confidence.

First floor - entrance New Street
170 Bishopsgate London EC2M 4LX 01-623 1266

Mining Analysts/ Economists

BP Coal Limited is a part of the BP Group. It is the Group's intention to take a major part in the international coal business.

There are vacancies for two Mining Analysts/Economists based at our head office in the City. They will join a small team responsible for the appraisal of investment opportunities and developmental planning.

The successful applicants will analyse economic and financial data, identify investment possibilities and prepare reports for Senior Management. They will report to the Planning Manager. Candidates should be Mining Engineers and/or Economists, preferably with a business studies qualification and at least 5 years' experience in or associated with the mining industry. Coal experience is desirable. A knowledge of investment appraisal work is essential.

Competitive salary and benefits are offered including a non-contributory pension scheme, subsidised restaurant, first-class social and sports facilities and generous re-location assistance, where appropriate.

Please write, giving details of age, qualifications and experience, quoting reference B.939, to:



Sue Bartholomew,
Central Recruitment,
The British Petroleum Company Limited,
Britannic House, Moor Lane,
London EC2Y 9BU.

Assistant Treasurer

\$A35,000-\$A40,000 plus car
Australia

CRA, part of the RTZ Group, is Australia's second largest public company and is engaged in major mining projects and industrial enterprises in related fields.

The role of the Treasury Department in Melbourne is changing and the Department is being increased. The Department is responsible for the co-ordination of short term funds invested on the Australian domestic money markets; the provision of funds to meet borrowing requirements; and the provision of specialist off-shore and project finance skills to existing operations and new projects.

Experience of the Eurobond markets and of European banks is essential and experience of project finance is desirable.

Candidates, aged about 28-35, must be qualified bankers, chartered accountants or lawyers. They should ideally have several years' experience in a merchant bank probably owned by a joint stock bank; or in the international department of a major international bank; or in a senior position in the corporate treasury function of a major international company.

There are good career prospects and the post carries the appropriate fringe benefits.

Please write or telephone for an application form to: T. R. Ball, Head of Group Personnel Services, The Rio Tinto-Zinc Corporation Limited, 6 St. James's Square, London SW1Y 4LD. Tel: 01-930 2399.

DEPUTY OPERATIONS MANAGER

AGE Late 20's

£neg.

In order to qualify as a serious contender for this key position within the new London branch of a major European bank, you will need to be able to demonstrate an in-depth knowledge of the broad operational aspects of international banking with particular emphasis on foreign exchange processing and cash department duties. As the successful candidate will also be called upon to set up customer accounts procedures, some previous experience of domestic banking would be advantageous. This is a genuine career opening which offers excellent prospects for advancement and a benefits package which includes mortgage assistance, free P.P.P. participation etc. . . .

Please contact MARK STEVENS—on 01-588 0781

Our reputation is your guarantee of confidentiality

BANKING PERSONNEL
47/42 London Wall London EC2 Telephone: 01-588 0781

(RECRUITMENT CONSULTANTS)

ADMINISTRATION MANAGER

SALARY NEGOTIABLE PLUS CAR

A leading, privately-owned commodity and metal broking firm is looking for an Administration Manager who will report to the Financial Director. His/her responsibilities will include the following:

General company administration, Pension fund management and administration; Insurance; Legal affairs, Property management; Salary administration; Purchasing; Communications.

Similar experience in a broking environment is considered essential. Preferred aged 35-45 years old.

Please reply with detailed curriculum vitae to:

B. McKechnie

CORPORATE ANALYSIS LIMITED

37/39 St. Andrews Hill, London EC4V 5DD

LOAN ADMINISTRATION

An opportunity has arisen for an individual to join the Loan Administration section of an established international bank based in the City. The successful candidate will be required to assist in servicing the bank's loan portfolio comprising the major currencies of the world and accordingly previous loan administration experience is desirable.

A competitive salary together with the usual benefits available within the banking sector will be offered to the successful applicant. Applications giving full personal details and experience to date should be addressed to:

Box A7403, Financial Times, 10 Cannon Street, EC4P 4BY.

STOCKBROKING

We are seeking to recruit experienced staff for leading Stockbrokers, particularly in overseas settlements, Dealer, Dividends and client lodgers. Also Australian/Far East settlements clerk and Arbitrage settlements.

Top salaries are offered plus bonus.

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BANKING APPOINTMENTS
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for an immediate appointment



Commonwealth Secretariat

ADVISER (Technology)

INDUSTRIAL DEVELOPMENT UNIT

Salary: £18,139 to £21,305 per annum (Gross)

The Industrial Development Unit (IDU) in the Commonwealth Fund for Technical Co-operation (CFTC) is a small group providing consultancy and complementary services for Commonwealth action programmes of industrial co-operation.

2. The Adviser (Technology) is to promote the technical and engineering base of this work and to assist in giving it a practical thrust towards formulation and implementation of bankable projects in developing, and specially disadvantaged countries of the Commonwealth. The requirement is for a high technical input in a range of services for feasibility and investment studies, allocation and assessment of sources of technology and capital goods, joint enterprises, technology transfers and production engineering.

3. He/she must be a fully qualified engineer with practical experience in industrial projects at senior policy/management/operational levels. The terms of service are as applicable to a Director in the Secretariat. Further particulars may be obtained from the Director of Administration. Applications giving details of academic and professional qualifications and with names of three referees, two of whom can provide an assessment of professional suitability, should be sent by 23 February 1981 to:

The Director (Administration)
Commonwealth Secretariat
Marlborough House, Pall Mall
London SW1Y 5HX
Telephone: 01-839 3411

Lending Officer (German speaking)

We are seeking an experienced Lending Officer for our European Corporate Group. Based at our London Branch, the duties of this Officer will be to expand the existing marketing programme in Europe, with particular emphasis on Germany and German speaking Switzerland. Fluency in German is essential and knowledge of another European language, preferably Italian, would be useful. The Officer should have strong marketing and credit skills and experience in specialised product areas such as trade finance and international treasury management services would be helpful.

This position is at Assistant Vice President level and a competitive salary and benefits are offered.

If you are interested in this position, write with full salary and career details to:-

Teresa A. Andrews, MARINE MIDLAND
BANK, N.A., 34 Moorgate, London EC2R 6JR.



MARINE MIDLAND BANK, N.A.

CORPORATE FINANCE MERCHANT BANKING

£11,000-£17,000 plus benefits

Corporate Finance activity has continued to grow during the 1970s, and will develop into the 1980s.

We have been asked to recruit for a number of leading merchant banks who wish to expand and strengthen their Corporate Finance teams. Their entrepreneurial and aggressive attitude towards their business, together with their excellence in performance, has placed them among the most successful merchant banks in the world.

We are currently recruiting at varying levels of seniority, to take account of both current expansion and future business development.

Salaries will be negotiable, depending on individual experience and ability, and will include good banking fringe benefits.

If you can make a positive contribution in this most exciting environment, please write in strictest confidence to:

DAVID CLARK, FCA, Consultant
Quoting Ref: 2328

David Clark Associates

4 New Bridge Street London EC4

Telephone: 01 353 1867

A Badenoch & Clark Group Company

HENRY, COOKE, LUMSDEN & CO. INSTITUTIONAL SALES

We are seeking to expand our institutional sales team in Manchester by the appointment of additional personnel.

Applicants should have relevant experience in institutional/research or sales or in fund management and be capable of discussing investment ideas and developing relationships with a wide cross section of clients.

Please apply in writing to:

G. W. Furness,
HENRY COOKE LUMSDEN & CO.,
P.O. Box 369, Arkwright House,

Parsonage Gardens, Manchester M60 3AH

Financial Controller

London W1

around £12,000 + Car

Top Shop, the retailing success story of the 70s, is a division of the profitable and expanding Burton Group of Companies. As a result of promotion, we now have an opportunity for an experienced and energetic Financial Controller for our Top Shop Division.

Reporting to the Financial Director, the successful candidate will be responsible, through a team of 30 people, including 5 management accountants, for the preparation of all financial and management accounting reports. This will include financial and management accounting, cash flow and profit forecasting and planning, profit and loss accounts and other essential information for senior management and board members.

Candidates, probably aged 28-40, will be Chartered, Certified or Cost and Management Accountants with good commercial experience, including staff management. A practical approach and willingness to get involved in overall business decisions is essential.

Salary dependent on experience, will be around £12,000. Benefits include a performance-related bonus and 2-litre company car. Career prospects throughout the Group are excellent.

Please write with full details to Sue Simons, Personnel Manager, Top Shop, PO Box 217, 214 Oxford Street, London W1.



A division of the Burton Group

PERFORMANCE MEASUREMENT CONSULTANT

EDINBURGH

Our Fund Management Services Department offers investment institutions computerised management information services including investment accounting, portfolio valuations and performance measurement. More than 700 funds with assets in excess of £20 billion use our performance measurement services which have recently been expanded to cover property performance and the international investments of U.S. pension funds.

We place great emphasis on the level of support offered to our clients, and are now seeking a professionally qualified person to:

- expand our performance measurement services;
- adapt and improve our services to meet clients' existing needs;
- advise clients on the most effective use of our services;
- develop our present consultancy function.

The successful candidate will have the opportunity to develop his/her career in a relatively new and unusual area. Practical experience in fund management, performance measurement or pension consultancy would be an advantage, and candidates should ideally have at least three years post-qualifying experience.

The post, located in our Edinburgh office, carries a salary which reflects the importance attached to the job. The firm operates a profit-sharing bonus scheme, and a contributory pension scheme.

Please forward a concise C.V. in strictest confidence to:-

Ian Hogg, Esq., Partner
Wood, Mackenzie & Co., Enkline House,
68-73 Queen Street, Edinburgh EH2 4NS.



WOOD, MACKENZIE & CO.

MEMBERS OF THE STOCK EXCHANGE

Company Accountant

N.W. London

£10,000 + car, bonus, etc.

A large international manufacturing group requires an enterprising qualified accountant for a newly established British subsidiary.

The successful candidate, aged about 30, will have sound industrial and distribution accounting experience, including costing, stock control and management information systems. Experience of DP systems and of staff control are necessary. A knowledge of French would be useful.

Initiative and adaptability are essential qualities.



Peat, Marwick, Mitchell & Co.

Executive Selection Division, 165 Queen Victoria Street, Blackfriars, London, EC4V 3PD.

Investment Management Dundee

The First Scottish American Trust Company Limited, The Northern American Trust Company Limited and Tay and Thames Investment Services Limited with funds under management in excess of £150 million wish to recruit a new member to their small investment team, to take on responsibility for a wide range of investment tasks both at home and overseas.

You will probably be in your 30's, have had at least 3 years experience of the British Investment Field and be looking now for greater flexibility and opportunity.

The working conditions and remunerative package are excellent and include a generous non-contributory pension and disability scheme. The Fund Manager welcomes informal discussion on Dundee 0382 78244. The enquiries, naturally, will be treated with the strictest confidence.

Applications, in writing, should be marked private and should be addressed to: W. Donald Marr, The Fund Manager, Belsize House, West Ferry, Dundee.

Nene College, Northampton

BLACKWOOD HODGE MANAGEMENT CENTRE

(Re advertisement)
The new purpose built residential and day course centre will open next autumn on the attractive MOUTON PARK Campus of Nene College. Applications are invited for the following two important senior appointments.

DIRECTOR OF STUDIES
(Reader Grade £10,500-£13,245)
To be responsible to the Dean for the effective functioning of the Centre in all its aspects. Possibility of time allowance for private consultancy.

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(Salary £10,500-£11,712 per annum)

With a specific brief to promote and co-ordinate short course provision, the successful candidate will have a first degree, a postgraduate qualification in management or a similar discipline, and have successful management or consultancy experience. Possibility of time allowance for private consultancy.

For further details and an application form, please write to Dr. A. J. Wood, Nene College, Mouton Park, Northampton, NN4 6BU. Closing date Monday 26th January. Previous applications for these posts will automatically be reconsidered.

WANTED

Financial Director & Company Secretary, Chartered Accountant, Law Graduate

taking early retirement at 62 to move to North/West Midlands for family reasons, seeks full or part-time employment. Health and safety experience (Training). Treasury. Contribution to well managed and diversified company (45.0 million turnover) since 1985 or earlier. Location more important than salary or remuneration which is negotiable. Write Box A7390, Financial Times, 10 Cannon Street, EC4P 4BY.

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Like 20's with 7 years' experience in SPOT/FORWARDS/DEPOSITS I am looking for a new and challenging opportunity where I can offer my loyalty, dedication and enthusiasm. Write Box A7404, Financial Times, 10 Cannon Street, EC4P 4BY.

FOREX

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London: FX Manager-Senior FX Dealer-2 Junior FX Dealers-2 Junior Deposit Brokers
Overseas: Chief Dealer, Nassau-Senior Dealer, Kuwait Junior Dealer, Abu Dhabi

Write or phone in full confidence to:

TERENCE STEPHENSON
13/14 Little Britain, London EC1A 7BX 01-406 6834

YOUNG ANALYST

We are seeking a young analyst to contribute to our expanding research in the Shipping/Overseas sectors. Applicants must have at least one year's research experience, preferably in the sectors mentioned, although this is not essential. Prospects are excellent.

Salary is negotiable and the remuneration package includes profit-sharing scheme, non-contributory pension and other benefits. Please write to:

David Clark
GRIEVESON GRANT & CO.,
P.O. Box 191, 59 Gresham Street,
London EC2P 2DS

SENIOR PORTFOLIO ANALYST KUWAIT

Kuwait Investment Company (S.A.K.), Kuwait, seeks an experienced senior portfolio analyst to join its portfolio management team. The successful candidate should be in his 30's, have at least five years' experience as an analyst and ability to analyse, comment and advise on investment proposals in major international securities markets.

The package of benefits will include attractive salary, fully furnished accommodation, car and other benefits.

Please reply in writing to:
Administrative Manager
Kuwait Investment Company (S.A.K.)
P.O. Box 1005, Safat, Kuwait

Graduate Recruiting Officer Circa. £7,500

Spicer and Pegler is a leading firm of Chartered Accountants based in the City of London with offices throughout the United Kingdom. We have a very high reputation for the recruitment of outstanding graduates and in order to maintain this position we are anxious to recruit an assistant for the Personnel Manager.

The successful applicant would be actively involved in the recruitment of about 150 graduates each year, including the selection of candidates for second interviews by partners, maintaining contact with university careers and accounting departments and designing staff advertisements and recruitment literature. In addition, he/she will be required to deputise for the personnel manager in all other areas of personnel work.

Candidates should preferably have experience of graduate recruitment procedures gained in a professional office.

Applications with full CV, to:-
Mrs. S. J. Cairns, Personnel Manager,
Spicer and Pegler, St. Mary Axe House,
56/60 St. Mary Axe, London EC3A 8BL



FINANCE & ADMINISTRATION DIRECTOR

A high performance oriented organisation is seeking to appoint a Director who will be responsible for establishing and maintaining a sound financial and administrative framework, and for the efficient operation of the company's financial and administrative systems.

ACCOUNTANT £ neg.
An experienced banking accountant is required to join the London Branch of a European bank. A sound knowledge of all aspects of accounts is essential, plus a working knowledge of computerised accounts preferably with IBM-360.

DEPUTY OPERATIONS MANAGER £12,500 neg.
This position has recently been created in the London Branch of a leading Continental bank. German mother-tongue is an essential requirement, as is a thorough knowledge of banking accounts.

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CONTRACTS AND TENDERS

INVITATION TO BID

- 1-Turkish State Railways (Türkiye Cumhuriyeti Devlet Demiryolları İşletmesi Genel Müdürlüğü-TCDD) invites bids for the supply of:
- 20 920 mm., 1200 ea.: Monobloc Wheel Sets,
- 4800 ea. Roller Bearings for axle-boxes,
- 600 ea. Draw Gears with spring ring,
- 300 ea. Automatic Brake Regulators.
- Total 26400 ea., Steel Rings for buffer springs of three different types.
- 2-TCDD intends to apply the proceeds of a loan in various currencies equivalent to U.S.\$85 million granted for the "Grain Storage Project" of Turkey.
- 3-This bid invitation is only open to suppliers from member countries of the World Bank and Switzerland.
- 4-Tender documents pertaining to the above inquiry may be purchased against remittance of U.S.\$30 from the following addresses until the last bid delivery date, 15.00 hours, February 16, 1981:
- TCDD İşletmesi Genel Müdürlüğü
Merkez Veznesi, ANKARA/TURKEY.
- TCDD 1. İşletmesi Bas Müdürlüğü
Sirkeci Veznesi, İSTANBUL/TURKEY

COMPANY NOTICES

ALLMANNA SVENSKA ELEKTRISKA AKTIEBOLAGET (ASEA)

U.S.\$30,000,000 8 1/2% Bonds 1986

Notice is hereby given to Bondholders of the above loan that the amount redeemable on March 1, 1981, i.e. U.S.\$2,000,000 was bought in the market.

Amount outstanding: U.S.\$18,000,000.

Trustee: The Law Debenture Corporation, Limited, London
Principal Paying Agent: KREDIETRANK S.A., Luxembourg/Genève, Luxembourg
Luxembourg, January 15, 1981

WORLDINVEST INCOME FUND

DIVIDEND ANNOUNCEMENT

DECLARATION OF DIVIDEND

No. 6

The Trustees of Worldinvest Income Fund are pleased to announce a U.S. Dollar 4.50 per share dividend to Shareholders in respect of the half-year period ending 30.06.1980.

The dividend will be paid on or after 15.02.1981 to any of the following Paying Agents:

Bank of America NT & SA,
Hong Kong Branch,
No. 1 Lee House Street,
London, E.C.4,
BankAmerica Trust Company (Jersey) Limited,
Union House, Union Street,
St. Helier, Jersey,
Channel Islands.

Payment will be made subject to any applicable local or other regulations with fourteen days of such presentation.

BANKAMERICA TRUST COMPANY (JERSEY) LIMITED

MANUFACTURE FRANCAISE DES PNEUS MICHELIN

9 1/2% 1976/1986 LOAN OF U.S\$75,000,000

The U.S\$75,000,000 International Loan due March 15, 1981 has been met by purchases in the Stock Exchange.

Outstanding amount after March 15, 1981: U.S\$62,500,000

Distinctive numbers of redeemable bonds are set out in the accompanying prospectus.

No. 5850 to 7827 inclusive, taking account of all previous redemptions in instalments.

The Paving Agent: BANQUE DE PARIS ET DES PAYS-BAS POUR LE LUXEMBOURG

Luxembourg, January 15, 1981

PUBLIC NOTICES

ST. HELENS BOROUGH COUNCIL BILLS

1981-82. 15th January 1981. Application for a rate of 10s. 6d. per £100 of rateable value.

At a public meeting of the Council on 15th January 1981, the following resolution was passed: That the rate of 10s. 6d. per £100 of rateable value be adopted for the year 1981-82.

Technical Page

EDITED BY ARTHUR BENNETT AND ALAN CANE

Keeping it cool for future generations

BY GEOFFREY CHARLISH

ONE OF the more useful developments in animal biology has been "cryopreservation"—the technique often seized upon by the science fiction writer who wants to put his hero into a kind of deep freeze and restore him, bright as a pin, in some new world of the 25th century.

The practical applications are rather less sensational, but a good deal more useful, because animal tissue and living cells can, on a small scale, be preserved at very low temperatures and transported for use elsewhere to improve breeds of animals for example, and sometimes to save human life.

Much of the work was initiated in the UK and continues at such laboratories as the Animal Research Station and the Medical Research Council's Cryobiology Centre, both in Cambridge. The former devotes its efforts to animal breeding and was much concerned with artificial insemination development using cryo-preserved semen. More recently, attention has turned to cattle embryo implantation. The MRC unit on the other hand is more concerned with trying to preserve living animal organs.

In the embryo preservation technique, ova that have grown for six or seven days in a particularly prized female can be collected and then implanted in other females in order to yield up more high quality animals. The potential for stock improvement is considerable and there are now four commercial companies operating in the UK to provide an embryo service.

However, in all these techniques and they include bone-marrow transplantation in treatment of leukemia, cornea

grafting in eye diseases and skin grafting in burns cases—the material has to be reduced to a low temperature in a controlled way to avoid cell damage. Too quick a reduction in temperature can result in the production of physically damaging ice crystals inside the cells.

It is in this area that a long-standing science based company, Planer Products of Sunbury on Thames (Sunbury SB262), has established a market leadership in the supply of suitable cryogenic equipment.

One of its latest introductions is a programmable freezer which can easily be carried about in the boot of a car—making it particularly useful to veterinary staff who have to collect specimens for freezing down and subsequent transportation.

Planer is claiming to be the first company to produce such a unit. It can freeze down and thaw out material according to a predetermined program and makes use of atomised liquid nitrogen which is injected into the work chamber at a rate determined by the program, previously entered by the user into a memory contained in a programming module, MR1.

Temperature is monitored by means of platinum resistance thermometers located in the lid of the work chamber and a thermal liquid nitrogen pump is supplied which fits into the neck of a 25 litre Dewar flask, with pump and power supply integrated into a wheeled Dewar trolley.

Overall temperature range obtainable within the 150mm x 150mm borosilicate glass vacuum work chamber is -180 to +35 degrees C. Specimens can be cooled at a maximum



Gerry Parsons, managing director of Planer Products, shows how easy it is to carry around the new biological freezer.

rate of 23 degrees C per minute or as slowly as 0.1 degrees C/min. The minimum rate of temperature increase on thawing out is also 0.1 degrees C/min. The unit measures 395 x 717 x 340 mm overall and weighs 26 kg.

At the heart of the freezer is the company's new MR1 digital programmer which Planer also hopes to sell into a number of other industries on account of its versatility.

This unit is microprocessor-driven and is able to program linear ramps (linear increases or reductions of temperature) or dwells (constant temperature periods) over the range -200 to +1800 degrees C. Furthermore, it can remember seven different programs each having up to eight time segments. If desired, any program will re-cycle up to 99 times—useful in environmental life testing applications.

Programming in the field has been made as simple as possible. The operator just selects the program number and time segment number with buttons on a separate display, and then can enter the value of each digit for dwell temperature, ramp rate and time on a four digit display.

The programmer drives an

external controller via a standard 0 to 20 mA interface, to give external control of valves, heaters and so on.

Use of a microprocessor also means that complete freedom of thermocouple type for temperature measurement is available—there are alterable links in the unit that allow for up to 16 different sensor types.

A wide variety of programs can be entered, and the machine will remember them for six weeks with the mains supply disconnected. The ramp rates can be set from 0.1 up to 139.9 degrees C/min and the dwell times can be from a minute to 20 hours in one minute increments, or ten minutes to 200 hours in ten minute increments—thus tests can be conducted over days.

Planer's managing director Gerry Parsons believes that "most of this product will find its way overseas—we already export over 50 per cent of our output."

Apart from the cryogenic applications, Parsons believes the new unit will be widely accepted in programming equipment such as furnaces, test chambers, transfer moulding machines and similar time dependent systems in many industries.

Businessman's terminal is coming closer

THE EXECUTIVE electronic workstation—a personal computer terminal on which a manager can file, retrieve and analyse data, send and receive messages and write letters—may be closer than hitherto thought.

An analysis of over 500 questionnaires sent to UK companies asking about their plans for office automation reveals that almost half are already providing terminals to managers outside the data processing department, and that more than 75 per cent of those companies expect to spend more on executive terminals in the coming year.

The survey, carried out by Urwick Nexos, a consultancy specialising in office automation, is part of the much larger Urwick computing surveys which are now organised in the UK, U.S., Japan, Australia, France, South Africa and

Holland.

The Urwick Nexos study is not completely representative because the questionnaire was sent only to those companies with a data processing department. Nevertheless, it does give a clear indication of the extent to which office automation has taken off in the UK—some 92 per cent of the organisations sampled had some involvement with office automation, or were planning to get involved in the next year.

Executive terminals seemed to be supplied chiefly for accounting, marketing and research applications. The emphasis was largely on information retrieval and processing.

Remarkably, there seemed to be considerable interest among managing directors: "The managing director has one, and what is more, he uses it," one data processing manager affirmed, while another said:

"My managing director likes to be able to look up performance indicators without having to leave his desk."

And a spokesman for another company said: "We will have a terminal on every desk in less than ten years."

The Urwick Nexos results cast a new light on the question of whether senior executives can be persuaded to use computer-based systems.

Conventional wisdom is that managers fight shy of computers—that status considerations will not let them develop the typing skills necessary to interrogate computer terminals.

Those firms which indicated they were staying out of office automation cited lack of resources: "I see no prospect of our getting funding for this area," or organisational problems: "We are not ready for office automation—we need a bit of company reorganisation first." Almost 60 per cent of the

sample intended to spend more on word processing equipment, 36 per cent intended to increase spending on micrographics but only 12 per cent intended to increase spending on videodata.

Only one-fifth of the organisation's samples had, in fact, any involvement with videodata, and the major interest was in private videodata systems. Most common applications were in sales with salesmen interrogating the database and recording their performance from home. There was little interest in using videodata to communicate with the workforce.

A similar proportion of companies were experimenting with electronic mail—chiefly those companies with more than 500 staff.

The survey is published in full in today's issue of the newspaper *Computing*, part owner of the Urwick U.K. survey.

ALAN CANE

Fast and efficient sorting of scrap metal

WHEN 1,000 tonnes of steel are made with scrap instead of using raw materials the energy saved is equivalent to 140,000 gallons of petrol. Again, it takes 31 barrels of oil to produce 1 tonne of primary aluminium and only 2 barrels when scrap aluminium is used.

Figures like these are well known in the £1,000m a year metal reclamation industry and with the virtues of re-gelling materials at last being realised more widely, leaders in the industry are investing substantially in new technology to make the separation of metal scrap more efficient.

At Long Marston near Stratford-on-Avon, the Bird group is engaged on a £2.5m modernisation programme at the

centre of which is a prototype machine which separates non-ferrous metals like aluminium, zinc and lead, and also stainless steel from each other and from steel scrap as fast as a conveyor will feed it.

The machine has been developed by Cotswold Research, which is a partnership between the Bird group and Lonsdale, the Loughborough-based concern set up to exploit the linear motor, especially for hovertains. Lord Kings Norton is chairman of both companies and Prof. Eric Lathwaite, who made the linear motor concept a commercial proposition, is a director of both. The Long Marston project is partly funded by the Department of Industry and the National Research Development Council.

Basically, the machine consists of a high level automatic conveyor that shakes the scrap along, and an inclined chute on which the metal separation takes place.

Underneath the chute are linear motors that produce currents attuned to the individual conductivities of the various metals. On their journey down the chute the chunks of metal are rung aside at various stages into collecting bins.

By choosing linear motors with the right frequencies and voltages it is possible to separate six different metals in a 15ft run.

At the moment the Long Marston linear motor unit is limited to separating aluminium from other ferrous and non-

ferrous metals, but by mid-summer it is planned to have the complete system—which Prof. Lathwaite has proven on a pilot scale—in operation.

Considerable effort is now being devoted to devising a method of feeding the scrap, which comes in fist-sized chunks from a fragmentiser, in a more regular manner. Development is also proceeding to add in a priority system that would, for instance, distinguish between cast and rolled aluminium.

When the long term viability of the machines has been satisfactorily proven they will be made and marketed by Cotswold Research.

The Bird group, Birmingham Road, Stratford-upon-Avon, Warwickshire.

PETER CARTWRIGHT

SCREWDRIVER



AN electronically controlled screwdriver has been put on to the market by Engineering & Scientific Equipment, 22-26 Mount Pleasant, Alport, Wembley, Middlesex HA9 1TU (01-908 4721).

The screwdriver picks up and holds the screw by a vacuum system with a preliminary adjustable velocity of 50-500 rpm and a very low torque to start the screwing operation. As soon as the screw has been introduced into the thread by one or two pitches, a fast screwing operation commences with a pre-set choice of speeds from 200-1200 rpm.

When the head of the screw touches the surface of the component an automatic locking torque comes into operation. This locking facility can be repeated several times if necessary.

The screwdriver has interchangeable blades and holders

to accommodate various sizes of slots and diameters of screws from 0.4 mm to 7 mm. It will also accept Phillips and Pozidrive screw heads, hexagon or square heads and special shapes.

LOG SPLITTER



THE GROWING popularity of slow-burning wood stoves, and increasing awareness of the economy of this low cost form of heat, has led to a need for a hand-operated log splitter for use at home, on farms, in forestry applications, as well as camping, caravanning and so on.

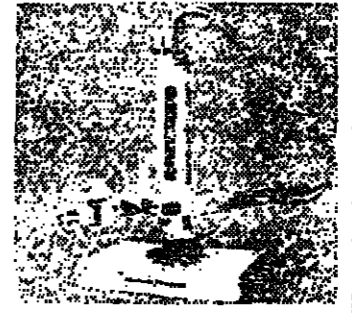
No internal or external power source is required for the "Impax", said to be a simple, safe, trouble-free tool, to be

marketed at around £30 by Merrittstyle Products, Unit 1B, Lyon Industrial Estate, Hart Spring Lane, Watford, Herts (Watford 33181).

DISC

Inmac now sells a do-it-yourself floppy disc drive head cleaner. Costing about £30, the kit comprises a cleaning disc and special cleaning fluid. 30 seconds on the drive removes the oxide contaminant. More on 09285 67551.

MANIPULATOR



MANUFACTURE of this small mechanical handling device is now being undertaken by Martonair of St. Margarets Road, Twickenham TW1 1RJ. It provides five linear and rotary movements all controlled by pneumatic actuators. Load capacity is 3.5 kg at a pressure of 3-7 bar.

The pillar unit has a rotation

of 270 degrees with 3 intermediate stopping positions and a vertical travel of 200 mm, again with intermediate stops. The arm unit has a horizontal stroke of 400 mm and there is space on the pillar to accommodate a second arm if required.

The wrist unit rotates through a maximum of 180 degrees and a variety of grippers or a vacuum pad attachment can be used.

Contract Research & Development-Contact IRD

International Research & Development Co Ltd
Fossway, Newcastle upon Tyne NE6 2YD

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THE MARKETING SCENE

BY MICHAEL THOMPSON-NOEL

SPONSORSHIP OF THE ARTS

Du Maurier's divertimento

CALL IT BLOOD MONEY if you wish. But there seems very little doubt that the £600,000 BAT Industries is paying the Philharmonia Orchestra over two years is money spectacularly well spent.

For BAT, which is using the sponsorship to promote its du Maurier brand of cigarettes, the two-year deal has bought up-market exposure at a fraction of normal advertising costs precisely at a time when new Government curbs on cigarette advertising are being interpreted by some as smoke signals for an all-out legislative ban.

For the Philharmonia, the du Maurier deal has both obliterated a worrying deficit and provided the means to launch its own modest marketing plan, so that according to managing director Christopher Bishop, the orchestra is heading for one of its best seasons on record.

The BAT money is being used to underwrite 60 concerts over two years, some of them in the provinces, as well as to raise the number of rehearsals; the Philharmonia has not used it to vote itself an increase in pay.

But the du Maurier cash (paid quarterly) is also being used for advertising, and to finance the Philharmonia's subscription scheme, under which concert-goers can buy a series of tickets at mail-order prices.

On £81 worth of tickets the saving is £15, equivalent to two-and-a-half free concerts.

Yet £300,000 is small change to BAT, which did not compete in the UK market until 1978 because of an agreement with Imperial Tobacco, but which has since spent heavily on the UK launch of its State Express 555 and du Maurier brands.

Promotional activity in the UK tobacco market has intensified greatly of late, so that cigarette advertising expenditure as monitored by Media Expenditure Analysis grew from £21.5m in the year to September 1979 to £35.3m in the year to September 1980, a jump of 64 per cent. (Even this is an understatement, for MEAL does not monitor posters).

The MEAL spend for du Maurier in the year to last September was £1.44m—substantial but still a long way behind Benson & Hedges Special Filter, £3.27m (up 54 per cent on the figure 12 months previously); Player's Vanguard, £3.21m (a new brand); Benson & Hedges Silk Cut King Size, £2.32m (+29 per cent); and Lambert & Butler Special Mild, £2.32m (new brand).

In its support of the Philharmonia, BAT can not be accused of altruism.

"This is a civilised attitude," says Mr. Bishop. "They

have no artistic designs, and have made no attempt to change our policy. Their attitude is 'You know how to run an orchestra. We know how to make cigarettes.'"

Last November, Mr. Bishop crossed swords with Sir Roy Shaw, director-general of the Arts Council, who in Mr. Bishop's view had cast aspersions on the du Maurier deal by wondering out loud what the Philharmonia would do when the sponsorship expired.

The orchestra stresses that du Maurier has always said that the sponsorship was for two years initially, the Philharmonia's assumption being that it will continue after that. "Even if it does expire after two," says Mr. Bishop, "we could never have turned down a cash injection like that."

Nor is du Maurier the orchestra's sole sponsor. The others this season are MSL, NCR, GKN, Condé Nast, Trusthouse Forte, Datsun UK and Merrill Lynch, who between them are providing £200,000 worth of support for eight concerts, in addition to which the Philharmonia this season is receiving £180,000 from the Arts Council and £120,000 from the Greater London Council.

In a programme note last November, Mr. Bishop wrote that the Philharmonia, in com-

mon with all arts organisations, was grateful to the Arts Council for its constant support, but that the sad truth was that in the present climate "its support is woefully insufficient."

One of the most useful ways in which the du Maurier money is being spent is to help fund the orchestra's subscription scheme. It was launched last May. Although expensive to run, it meant that the Philharmonia's first 10 concerts (all du Maurier-backed) were a sell-out and showed a profit, a very rare occurrence.

These sell-outs contrast with a 63 per cent seat occupancy rate for the London orchestras as a whole over the first two months of the season.

Over the first 10 Philharmonia concerts, only half the seats sold were sold via subscription, so that Mr. Bishop is not attributing the orchestra's current heady run to du Maurier alone.

"It's part sponsorship, part marketing, part extremely good reviews and part general buzz. Yet every concert loses, even if you fill the house, so it is thanks mainly to du Maurier that the orchestra is now solvent."

The Philharmonia says it has no qualms at all at accepting the tobacco barons' money.



Riccardo Muti, music director and principal conductor of the Philharmonia: record-breaking season in view.

"When there is no tobacco money going into sport or into the rest of the arts will be the time for us to reconsider," says Mr. Bishop.

"Commentators simply don't realise how desperately short of cash the arts are."

It has been said by ASH (Action on Smoking and Health) that it is clear that the tobacco companies are moving

into arts sponsorship and promotion in an attempt to beat the all-out restrictions on cigarette advertising that many expect, though the tobacco makers claim that support of the arts is the least sales-oriented form of sponsorship.

To the Philharmonia, enjoying a record-breaking run, they might just as well be arguing about angels-on-a-pin.

SHARE-BUILDING STRATEGIES

Ways to raise market share

THAT AN IMPORTANT relationship exists between market share and return on investment is generally accepted, with the result that a vast majority of businesses are probably keen to increase market share and in all likelihood are actively trying to do so.

What are the most promising means?

According to Robert D. Buzzell and F. Wiersema, writing in the current edition of the Harvard Business Review, (Prof. Buzzell is professor of marketing at Harvard Business School), new research findings have strengthened the impression of a relationship between share and return.

The research, they say, has also identified factors that determine long-term market share, such as levels of new product activity, the influence of product quality, and marketing expenditure.

According to the authors, the average rate of return for businesses with market shares in excess of 40 per cent is two-and-a-half times the average for those with shares of 10 per cent or less. "Put another way, a difference of 10 points in market share is accompanied, on average, by an increment of about 5 percentage points in return on investment."

"The concept of the marketing mix," they say, "is based on the working together of all dimensions of marketing strategy—product policy, pricing, distribution, sales force efforts, advertising and promotion—to influence buyer choice."

"Not only do management's own policies and programmes affect sales, but so do those of competitors. A realistic approach to explaining market share change must, therefore, include all of the important elements of marketing strategy and must somehow relate any single competitor's actions to the contending moves of rivals."

● Influence of new products. In general, say the authors, research indicates that gains in market share are associated either with a high level of new product activity relative to that of competitors, an increase in new products, or both.

Makers of computers and

semiconductors are continually introducing newer, more powerful, more versatile models, while producers of processed food and personal care and household products are regularly offering "new, improved" formulations or flavours or sizes or pack variations.

● Influence of product quality. Whether connected with new product introductions or not, say the authors, quality improvement is a powerful means of building market share, though they stress that a strategy of building share via quality improvement does not necessarily imply offering de luxe products. "Quality, like beauty, is relative, and in most markets, offering better value—especially in the moderate-price sector where volume is usually concentrated—is most important."

They cite successes achieved by Japanese manufacturers of cars, cameras and electronics. "A study comparing the U.S. and Japanese colour television industries, for example, showed that Japanese-made sets had much lower failure rates. One measure of the difference was that the number of defects per 100 sets shipped by a Motorola plant fell from an average of 165 to three or four within three years after the plant came under Japanese management."

● Influence of marketing budgets. "Of all the competitive strategy elements we analysed," say the authors, "sales force expenditures are most strongly related to market share changes. Intensified selling effort appears to be a common feature of share-building strategies for both consumer and industrial products; its involvement is much less clear for producers of raw materials."

Advertising, they say, is a significant contributor to improved share only for consumer products.

In summary, they say that effective strategies for building market share cannot be reduced to formulas. "The trick is to find a (market) segment with sufficient potential for growth that has been neglected. To do so, we suspect, requires substantial creativity or a lot of luck—or both."

'IN MOST COUNTRIES, REAL EXPENDITURES ARE AT THEIR HIGHEST LEVELS YET'

Survey shows international advertising growth

RELIABLE INFORMATION on advertising expenditure internationally has never been easy to come by, but a report compiled by J. Walter Thompson in London and published by the Advertising Association this week goes a long way towards plugging the gap.

It is called Trends in Total Advertising Expenditure in 25 Countries, and covers the period 1970 to 1979. Its objective, says JWT, was to bring together the reliable data that is available in a form that permits comparison and allows trends to be observed.

Three ways of measuring

expenditure are used in the report. The first is total advertising expenditure at current prices; the second, total expenditure at constant (media) prices; the third, total expenditure as a percentage of GNP or GDP, whichever is available.

As the agency says, there is little point in comparing expenditures at current prices, because of the effect of varying rates of inflation. Much more meaningful is to look at expenditure at constant prices, where total expenditure is deflated by an index of media rates.

This has been done for 18 of

the 25 countries surveyed and produces a fairly standard pattern: (1) slow (or no) growth in the early 1970s; (2) a set-back around 1974-75; (3) renewed steady growth ever since.

It is clear that the oil crisis of the mid-1970s had a worldwide effect on real advertising expenditures, says the report. "It is also clear that considerable real growth has taken place since 1975 and in most countries it has taken real expenditures to its highest levels yet."

"Seven countries show an uninterrupted upward trend from 1975 to 1979: in five other countries (it) is interrupted only momentarily."

Advertising as a percentage of GNP is not strictly a measure of how commercial, or competitive, a given market is, since the five main advertising media (Press, television, radio, cinema, and outdoor) are not equally available, or of equal import-

ance, in all countries, but it does indicate the varying levels of importance attached to advertising activity internationally.

Looking at some of the biggest markets, the picture that emerges is as follows:

Australia: Total expenditure very nearly quadrupled over the period 1970-79, reaching \$A1.48bn. Most of the growth in money terms has come since 1974. Expenditure as a percentage of GNP fell steadily from 1970 to 1974, but has recovered strongly since then to a 1979 level of 1.46 per cent, 12 per cent higher than in 1970.

Canada: Current-price expenditure in 1979 was \$2.435bn. Total expenditure virtually trebled between 1970 and 1979, though as a percentage of GNP, remaining virtually static. Since 1975, TV expenditure has grown rapidly, at the expense of outdoor and press, though the latter category still dominates.

France: Total expenditure in 1979, FFfr 17.4bn, was around two-and-a-half times its 1970 level in money terms. As a percentage of GNP, expenditure fell from 1974 to 1978 but recovered slightly in 1979. No index of French media rates is available, but deflating expenditure by the consumer price index shows an increase of 17 per cent for 1979 over 1970.

Germany: Total expenditure doubled between 1970 and 1979 in money terms, to reach DM 7.25bn. At constant media prices, expenditure was up by a quarter, though showing a slight downturn in 1979. With limitations on the amount of TV advertising available, magazines and radio have benefited most from recent growth.

Italy: Over the 1970s, total expenditure more than trebled, to reach Lire 888bn, though at constant media prices, the increase was only 16 per cent. As a percentage of GNP,

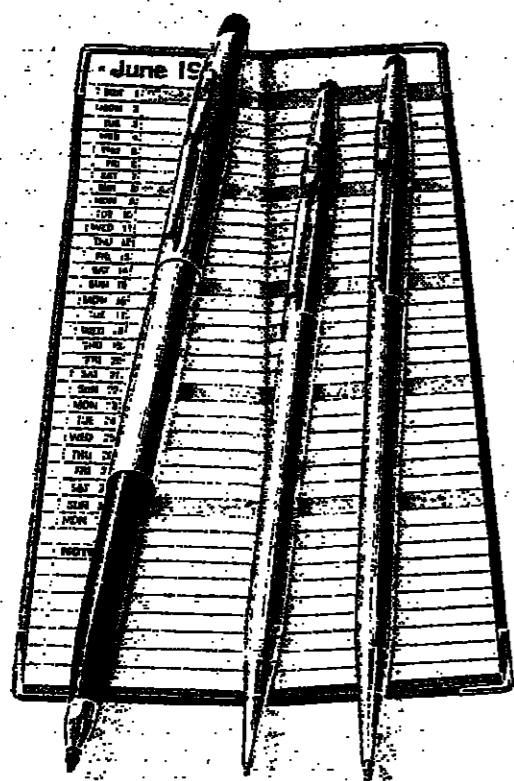
expenditure dropped by a third between 1970 and 1976, but has recovered slightly since then.

Japan: From 1976, expenditure in real terms began to grow again. By 1979, expenditure at constant media prices was 21 per cent higher than in 1970, and as a percentage of GNP, had recovered to the levels of the early 1970s. Current price expenditure in 1979: ¥2,070bn.

UK: Total expenditure over the period virtually quadrupled, to reach £2.13bn, though rising by only 18 per cent at constant media prices. Expenditure as a percentage of GNP fell heavily during 1974-76, but there has been a substantial recovery in the past three years, with expenditure as a percentage of GNP almost back to its peak level of 1973.

U.S.: Total growth was slow to mid-1973, but from 1978 a period of exceptional growth (+80 per cent) has been seen. Current price expenditure in 1979: \$43.2bn. At constant media rates, expenditure fell in the recession years 1974 and 1975 but has since resumed its long upward trend (+17 per cent in the last four years); as a percentage of GNP, expenditure has followed much the same pattern.

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THE ARTS

Zurich

A Village Romeo and Juliet

by RONALD CRICHTON

The first performance of the Delius opera we know as *A Village Romeo and Juliet* took place at the Komische Oper in Berlin, in 1907, as *Romeo und Juliet* in his middle years had some distinguished admirers on the Continent (Grieg, Ravel, Bartok and Kodaly among them) interest in his music ebbed away after the first world war, just about the time that his fame grew in England, the country of his birth. When the *Village Romeo* was given its Swiss premiere in Zurich last month, opera and composer returned to the European musical scene as virtual strangers.

There was a reason for this choice beyond present curiosity about post-Wagnerian opera other than Strauss. The *Village Romeo* is based on a story by the Swiss writer Gottfried Keller, and the action is set in a Swiss village community. Stretching a point or two, the opera can be included, along with *Guillaume Tell* and *La Sonnambula*, in the slender stock of "Swiss operas"—a stock that would not be so slender if his compatriots more often remembered Othmar Schoeck's stage works.

Zurich Opera sought and obtained the generous help of the Delius Trust and the enlightening presence of Sir Charles Mackerras as conductor. The Intendant, Claus Helmut

Dreese, produced in settings by Jörg Zimmermann and costumes by Jan Skalkley. The result was an exceptionally rewarding evening in the opera house and a vindication of a work long admired for its musical qualities but (at least until the recent New York revival), not done full justice in the theatre.

One may imagine that Delius was drawn to Keller's story not only by sympathy with the predicament of the young lovers, outsiders at odds with the community in which they lived, but by the precision and evocative power of Keller's descriptions of landscape and natural life. Dreese and Zimmermann's staging is pictorial—not just for decorative reasons, but because text and music (less precisely of course in the case of the music) are closely tied to the scenes through which Sali and Vrenchen move as children and as adolescents.

Instead of the near-abstracts of the last two British productions Zimmermann gives realistic treatment and the centre of the action is the boulder-strewn, overgrown strip of wasteland that separates the families. The strip merges into the background of trees, hillside and arable land with the yellow-browns of crops and the red of poppies. Vrenchen's father's house is a huge strange with wide eaves of the kind still often seen in the Swiss country-

side. The fair takes place in a township of steep roofs, clock towers, wet umbrellas and fading lights.

During the "Walk to the Paradise Garden" interlude projections and painted gauzes melt into one another: where earlier scenes recall the canvases of Delius's wife Jelka, the colours now take on the more Germanic intensity of Nolde's watercolours. Delius, who bought Gauguin and was drawn by Munch, was soaked in the visual arts: the painterly style seems entirely right for this opera. The changing scenes give pleasure on their own account and enhance the score. They are extremely well realised.

There is one innovation. The river and the hay-barge in which Sali and Vrenchen finally drown are there from the beginning, washing the edges of the waste land. There is no "Paradise Garden"—inn—the place to which the lovers ecstatically wend their way is the waste land itself—scene of childish happiness and first declaration of love, of the first meeting with the Dark Fiddler, there again in the last scene with his drop-outs who vainly try to persuade the lovers to join them. This makes sense. Otherwise, no producer's interference, but a considered, loyal and intelligent piece of direction. Modern parallels—the rival claims of conformism and the alternative—are clearly presented but not overstressed. One production trick that has become a cliché—the fitting of preludes and interludes to action, is here played with exceptional restraint and tact.

From the initial phrase, like a Janacek opening, that sweeps the listener straight into the action, the musical direction of Mackerras was vital, urgent and clear. There was punch in the fair music and in some scenes—endings which come much nearer verismo style than the old view of Delius as eternal dreamer would suggest. No self-indulgence, no dawdling, but no lack of tenderness either. The long woodwind lines stood



Gösta Winbergh and Ursula Reinhardt-Klis

out as to the manner born. As for Janacek, Delius shared his feeling for nature and his compassion but not unfortunately, his interest in the sung word as a means of communication and characterisation. It seems to have been established that Delius wrote the libretto for the *Village Romeo* in English and that his wife translated it into German. All questions of literary merit apart, the Zurich performance showed that the work sounds better in German. Delius seems to have felt the tempo of German musical declamation (Wagner especially) at the back of everything he wrote for the voice. The consonants and gutturals help the sometimes ill-hewn vocal lines to hold their own.

In Gösta Winbergh and Ursula Reinhardt-Klis, Zurich chose a Sali and Vrenchen who for voice and looks came as near the ideal as one is likely to find in an opera house. He was the Belmonte in *Die Entführung aus dem Serail* last summer. She comes from the present Berlin Komische Oper and has been praised for her Lulu. Her alternations of wail-like vulnerability and childish high spirits were equally winning. She has

one defect—a tendency to fall below the note when singing softly. Mr. Winbergh sometimes strained too hard at climaxes, but most tenors who tackle this vocally ungrateful role have to strain more often than that.

The Dark Fiddler, the gypsy who is the rightful owner of the disputed land but cannot claim it because he is illegitimate and has no civil rights, is a problem (the character is more fully drawn, and more convincing, in Keller's story). Josef Dene, a bass-baritone of strong if not always steady tone, went all out for mysterious smiles and melodrama—not a total success but a good shot. The squabbling fathers Manz and Marti were sung by Howard Nelson and Werner Gröschel. Chorus and bit parts—hucksters at the fair and layabouts, were all good. I cannot say the house was bristling with representatives from British opera companies, but about every third person in the audience appeared to be related to Delius, many of them living in Germany. An admirable evening, greeted with an enthusiasm in which there was possibly an element of surprise.

Elizabeth Hall

Beaux Arts Trio by MAX LOPPERT

The store of praise for the playing of the Beaux Arts Trio, already pretty thoroughly explored on this page, must be made to yield once more for Tuesday's account of the Brahms C major Trio, Op. 87, which afforded music-making of the highest distinction. The possible dangers inherent in Brahms's piano trio textures—the thickness that comes of overweighing (on the one hand) and the sense of flippancy that comes of the opposite tendency (on the other)—were avoided with a consummate ease that virtually denied the existence of danger: the playing, above all in the

measured strides of the work's opening bars, commanded both muscular force and radiant tonal allure. The narrative flavour of the *Andante con moto* was caught with the gentlest insistence—between the strings and Menachen Pressler's exquisitely cultivated piano consummation during a brilliant and alarming parody of a speech by Hitler.

But Schall is not interested in mere mimicry. Nor, however tempting it is to reach for the word, is it right to describe him as a virtuoso. He has an austere and simple sincerity which makes him impersonal. As he says himself, in the programme note, he is there to concentrate on the attitudes and opinions of the people who appear in Brecht's rich oeuvre. In doing so he has proved that a recital of Brecht's verse can be a compelling species of theatre.

Riverside Studios

Ekkehard Schall

by CHRISTOPHER EDWARDS

This cabaret evening (at the Riverside Studios until Sunday) is a welcome opportunity to see one of the great actors of the Berliner Ensemble. Ekkehard Schall, bringing Brecht's poetry and songs memorably alive in a one-man show. Schall, with his gaunt expressions, cropped bullet-head of grey hair, and short stocky frame, is the ideal proletarian mouthpiece for Brecht's more didactic pieces. But what you also realise from Schall's performance is that there is a great deal more to Brecht's language than the top heavy ideé fixes which are all his translators seem capable of bringing out.

With the aid of jazz-piano accompanist playing music by Well, Eisler, Dessau and Brecht himself) Schall makes the most of the syncope, percussive rhythms with which Brecht tried to capture the contradictory, violent and fiercely comic side of human affairs.

Moving into each piece immediately he has announced the title, Schall is able to switch from cowed self-righteousness in "The Bootlickers' Song" to a crescendo of manic passion in "The Song of the Nazi Soldier's Wife". Or, again, the glint of intensity of his eyes can



Ekkehard Schall

St. John's, Smith Square

Orpheus Ensemble by DOMINIC GILL

The Orpheus Ensemble is another of the several excellent instrumental bands devoting themselves to 20th-century music in general, and post-war music in particular, which have sprung up in the provinces and years. This one was born in Cambridge in 1979, and has worked with Wessex Opera; and this month it is giving three concerts in Smith Square under the somewhat precious title of "Orpheus Britannicus"—a survey both retrospective and prospective of the continuing vitality of the British musical tradition in the 20th century, in the context of one of this century's most cosmopolitan and influential composers, Igor Stravinsky.

But their music-making is far from precious: well-muscled, lively and responsive. And even in the echoing chamber of St. John's—which at its best, well filled with people, sounds like a bathroom, and nine-times empty has the acoustic of a bus terminal at midnight—their ensemble was never less than well-sprung and disciplined. Paul Webster is the Orpheus conductor: accomplished as director and synthesiser, as yet less keen as musical catalyst. Their performances of Stravinsky's *Oedipus* and *Concerto*, technically precise and buoyant, were a little dull in spirit, expressively uneventful. It will, doubtless take time, and perhaps a taste of other conductors, for the interpretations to gain

individual stamp and character. Two of Orpheus's three concerts include first performances of new works. Tuesday's was by David Owen: a young composer (b. 1957) whose music I had not heard before last week's *Maschke* concert at the Wigmore Hall. His *Le Printemps maladi* for solo piano and seven wind was chosen by the British jury for performance at the 1980 ISCM festival. Like *Meros/Meade* it is short, spare and pungent; the music's surface has a raw, unfinished texture—and yet it speaks directly and arrestingly, the shaping, and the dramatic movement, are very sure. An interesting, original new voice, still unformed: but one of the most promising to be heard for some while.

Aldwych

Passion Play by MICHAEL COVENEY

Peter Nichols's new play for the Royal Shakespeare Company might, at first glance, be merely another addition to the bulging case file of bourgeois stage marriages hitting the menapausal rocks. What distinguishes the piece, however, is the relentlessness with which Mr. Nichols drives his prey into the open and the technical virtuosity with which the evening proceeds.

Eleanor and James have seen off their grown-up children and are left facing each other over the abyss in a duplex apartment fitted out with a much-used bar, plush furniture and a flexible arrangement of gauze wallpaper. She is coaching a choral society for large-scale performances of the Verdi Requiem and the St. Matthew Passion. He is a picture restorer, still reasonably happy with their relationship, but sucked into an adulterous affair by the man-eating Kate. For James, Kate is both an unobtainable ideal and an actual distraction. The first technical surprise comes when Anton Rodgers, as James's alter ego, slides on to the stage in Benjamin Whitrow's wake after the first spot of passionate infidelity in Kate's cushioned alcove to express relief at the discovery that, after all, sex is actually better with the wife.

Anton Rodgers is Jim to Mr. Whitrow's unruffled, victimised James and the marital double-focus ruse is complete when

Ellen Atkins ghosts in to hover at Billie Whitelaw's elbow as she reads a give-away love letter planted on her by the scheming mutual friend (Priscilla Morgan). This friend also lost her husband to Kate (Louise Janssen) and is engaged in the pursuit of a perverse revenge. With the quartet established, Mike Ockrent's supple and beautifully managed production begins to twist the knife as the participants in a fantasy charade speak truthfully across and through each other.

The device of splitting the characters into double identities has two functions. First, the adulterous complications can be viewed objectively by those affected. And, secondly, the shadows operate as the voices of conscience even as the game unwinds in all its grisly detail. Every line has the ring of horrible truth: we are presented with the uncompromised conclusion that living together is inevitably a mask for indulging in a secret life. After a particularly well-written row in the small hours played out by Mr. Rodgers and Miss Atkins Eleanor (or Nell) swallows a near-fatal overdose.

The affair seems to have died down but, in the embers of a funny reconciliation scene in a lingerie store between wife and mistress, we learn that, in fact, James is about to stoke the fire on a dirty weekend in Zurich with Kate. Mr. Nichols breaks loose in the second act with Mr. Rodgers playing his turn to be

unseen by the others wedged on a sofa between Eleanor and Kate, relishing the prospect of both having his cake and eating it. But the conformism demanded by society in these matters washes over all concerned and, at the climactic Christmas party (the bursts of glorious ecclesiastical music give way to a melancholic "In the Bleak Mid-Winter") where Miss Atkins "leaves" with a suitcase and Mr. Rodgers admires Miss Janssen naked under a fur coat, their solid selves put on a suitably festive rictus while guests pour in through the front door.

In some ways, Kate has been both catalyst and obstruction in the marriage game. The subtlety of the writing is such that no one is blamed, the facts of this fiction have been laid bare and the play ends on a semi-colon. No praise is too high for the manner in which Mr. Ockrent orchestrates his main actors on Patrick Robertson's set and fills in the surround with a nine-strong supporting cast. One example of sheer magic in this latter respect will have to suffice: at the second Private View, the upper stage is crowded with faceless mannequins wearing in and out of a changing slide show depicting photographed love positions. It forms a potent vision of lost animals flitting through the sexual jungle, moving definitely and with determination but not necessarily along the right track.



Eileen Atkins and Billie Whitelaw

New York

James Turrell by FRANK LIPSUS

After a 13-year absence from public exhibition, James Turrell suddenly emerges with exhibits running in three of New York's most prestigious spaces—the Whitney Museum, Leo Castelli gallery and P.S.I., the former public school in Long Island City that houses work and exhibit studios for numerous artists. The 37-year-old Turrell works in "light and space" (the title of the Whitney show), which, the catalogue notes with no facetious intent, "logically" would occur in California, where the experience of light and space is more pervasive in everyday life than it is in New York and other major cities.

In fact, Turrell's early work that culminated in these recent exhibits captured stray outdoor urban sounds and movements on the walls of his studio. Called *Mendocino Stoppages*, the work would strike New Yorkers as a complaint about their own flats, but for Turrell, they led to manipulations of walls to accommodate light and eventually to architectural constructions that include sight lines and the viewer in the cerebral arrangement of light and structure. *Mendocino Stoppages* was site-specific, as is P.S.I.'s *Sky space*, which is intended to be up for at least three years, since a ceiling and roof had to be removed for the installation, but

remains for the moment incomplete. In the more modest works at the Whitney, Turrell's lights glow in geometric shapes with degrees of eerie and evocative patterns. Some are just clever or intriguing for their trompe d'oeil effect. *Airum*, an early work in light, consists of an intense beam of xenon light focused on the corner of a darkened room to achieve the artist's modest intention of having "a cube floating in the air, yet in some manner across the space into the right corner. The right-side wall extends furthest out to the viewer, including him in the exciting pattern of light differentiation in the enveloping white space."

In Laar, what looks like an enormous grey canvas is on closer inspection a rectangular Aldeburgh Appeal. A £750,000 appeal has been launched for funds to keep the Aldeburgh Festival Snape Maltings Foundations on an even keel. Retired general administrator, Mr. William Servaes, says there are difficulties in running concerts in a thin catchment area of Suffolk in audience terms. But he says that with investment and proper management the £750,000 fund could yield about £100,000 a year.

As part of The Royal Ballet's 50th anniversary celebrations, the Theatre Museum, a branch of the Victoria and Albert Museum, is to exhibit designs and photographs covering dance dress from about 1870 to the early years of this century. A sound and light show of costumes from 18th century Italian to the present day will also be presented. The exhibition is from April 8 to July 26.

Aldeburgh Appeal

Dance costumes Exhibition

UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY—Indices of industrial production, manufacturing output (1975=100); engineering orders (1975=100); retail sales volume (1975=100); retail sales value (1975=100); registered unemployment (excluding school leavers) and unutilised vacancies (000s). All seasonally adjusted.

	Ind. prod.	Eng. output	Retail sales vol.	Retail sales val.	Unempl.	Vacs.
1979						
2nd qtr.	115.0	107.2	106	113.0	154.1	1299
3rd qtr.	112.7	103.2	101	106.6	154.7	1269
4th qtr.	112.6	104.2	101	109.1	163.1	1286
1980						
1st qtr.	110.0	100.1	100	110.2	168.9	1379
2nd qtr.	106.6	96.8	94	109.2	173.3	1432
3rd qtr.	102.8	92.3	84	106.9	176.9	1293
April	106.7	97.7	91	109.6	172.3	1458
May	106.5	96.4	92	108.4	172.6	1494
June	106.6	96.2	97	109.5	175.1	1535
July	104.9	95.3	88	106.5	175.0	1696
Aug.	102.4	93.9	91	106.6	176.8	1696
Sept.	102.1	91.5	75	108.5	176.3	1784
Oct.	101.9	90.8		108.7	179.8	1832
Nov.				109.2	179.2	2028
Dec.						2133

OUTPUT—By market sector: consumer goods, investment goods, intermediate goods (materials and fuels); engineering output, metal manufacture, textiles, leather and clothing (1975=100); housing starts (000s, monthly average).

	Consumer goods	Invst. goods	Intmd. goods	Eng. output	Metal mfg.	Textile mfg.	Housg. starts
1979							
2nd qtr.	109.3	102.5	133.3	102.4	111.2	103.3	21.3
3rd qtr.	105.6	96.4	132.5	95.0	105.1	100.3	21.0
4th qtr.	105.5	101.1	128.6	99.2	103.4	96.8	18.1
1980							
1st qtr.	104.7	101.1	123.4	98.9	96.4	92.2	12.3
2nd qtr.	98.4	95.9	123.1	92.1	92.7	85.6	16.2
3rd qtr.	97.4	94.8	118.6	91.2	78.8	82.3	12.4
April	99.0	97.0	122.0	94.0	83.0	85.0	15.0
May	97.0	95.0	124.0	93.0	99.0	84.0	16.7
June	96.0	95.0	123.0	92.0	94.0	85.0	16.4
July	100.0	96.0	126.0	93.0	82.0	85.0	14.1
Aug.	97.0	95.0	116.0	91.0	81.0	85.0	11.5
Sept.	95.0	94.0	114.0	90.0	74.0	88.0	12.8
Oct.	95.0	93.0	115.0	88.0	67.0	78.0	12.4
Nov.							11.4

EXTERNAL TRADE—Indices of export and import volume (1975=100); visible balance; current balance (£m); oil balance (£m); terms of trade (1975=100); exchange reserves.

	Export volume	Import volume	Visible balance	Current balance	Oil balance	Terms trade	Resv. US\$bn
1979							
2nd qtr.	125.3	122.9	-235	-222	-229	106.2	21.69
3rd qtr.	128.3	122.1	-462	+ 60	-158	106.5	23.18
4th qtr.	129.3	122.9	-765	-589	-157	102.5	22.54
1980							
1st qtr.	123.2	126.6	-633	-191	-197	100.5	24.97
2nd qtr.	128.4	124.4	-262	84	102.6	102.6	25.15
3rd qtr.	126.7	115.5	-774	+1,071	+158	104.8	26.38
April	126.2	120.0	-64	+ 30	5	100.4	26.96
May	126.8	128.4	-303	-225	+ 26	101.6	28.01
June	129.8	129.8	-1	+ 77	-25	102.0	28.28
July	128.9	124.2	+ 15	+ 81	-23	103.8	28.17
Aug.	128.6	117.1	+303	+483	+ 98	104.2	28.27
Sept.	126.5	121.2	+ 45	+149	6	105.4	28.29
Oct.	125.0	109.2	+143	+324	+ 51	104.7	27.64
Nov.	123.5	108.3	+149	+559	+152	104.7	28.03
Dec.	128.0	111.1	+455	+533	+ 59	105.1	28.19

FINANCIAL—Money supply M1 and sterling M3, bank advances in sterling to the private sector (three months' growth at annual rate); domestic credit expansion (£m); building societies' net inflow; H.P. new credit; all seasonally adjusted. Minimum lending rate (end period).

	M1	M3	Bank advances	DCE	BS inflow	HP lending	MLR
1979							
2nd qtr.	5.2	15.8	25.5	+2,638	777	1,887	14
3rd qtr.	12.0	11.2	13.2	+2,642	933	1,879	14
4th qtr.	14.4	15.6	22.6	+2,977	839	1,954	14
1980							
1st qtr.	-4.0	7.2	21.9	+1,725	634	1,974	17
2nd qtr.	-1.5	10.7	23.3	+3,219	697	1,972	17
3rd qtr.	-4.4	39.1	45.2	+6,444	1,090	1,947	16
April	-4.0	5.9	18.5	+ 701	286	675	17
May	-4.0	12.6	21.8	+1,149	225	621	17
June	-4.9	13.7	22.8	+1,383	206	678	16
July	11.7	35.5	30.8	+3,467	397	623	16
Aug.	11.2	40.8	46.4	+2,010	443	657	16
Sept.	20.5	38.8	38.7	+ 967	320	621	16
Oct.	6.2	24.0	19.0	+1,081	285	579	14
Nov.	8.9	19.6	7.7	+1,477			
Dec.							

INFLATION—Indices of earnings (Jan. 1976=100); basic materials and fuels, wholesale prices of manufactured products (1975=100); retail prices and food prices (1974=100); FT commodity index (July 1952=100); trade-weighted value of sterling (Dec. 1971=100).

	Earnings*	Basic mths.	Wholesale mths.	RPI*	Foodst.*	Comdty.*	Strg.*
1979							
2nd qtr.	147.3	161.3	168.0	216.5	225.2	293.55	67.4
3rd qtr.	154.2	169.9	176.4	231.1	231.9	301.56	71.9
4th qtr.	161.7	183.9	181.8	237.5	237.2	298.13	68.8
1980							
1st qtr.	167.7	197.2	191.4	248.8	247.5	284.47	72.4
2nd qtr.	178.9	201.2	198.9	263.2	255.9	287.45	73.8
3rd qtr.	189.8	201.9	203.6	268.9	259.3	273.13	73.4
April	175.0	202.3	197.0	268.8	254.1	278.67	72.9
May	168.1	206.4	199.0	263.2	255.7	268.22	72.4
June	183.7	201.1	201.0	265.7	257.9	287.45	74.4
July	185.1	201.7	202.1	267.9	259.9	273.57	74.1
Aug.	186.3	201.8	203.5	268.5	259.0	276.44	76.1
Sept.	192.6	202.1	204.6	270.2	259.2	274.65	76.9
Oct.	189.3	201.4	206.1	271.9	258.0	270.56	77.7
Nov.		202.3	206.1	274.1	260.0	262.53	78.7
Dec.			206.6				
* Not seasonally adjusted.							

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An honest appraisal

HAS GOVERNMENT economic policy so far been a success or a failure, and how are we to judge it? This was the theme of a remarkably frank and intelligent speech yesterday from Mr. Nigel Lawson, the Financial Secretary to the Treasury. His basic plea was that the Government should be judged by results, not by numbers.

The falling trend of inflation in a much freer market, the rapid improvement in realism on both sides of industry, and the elimination of excessive labour and excessive stocks—however painful in the short run—are real achievements. But these very forces have distorted the numbers for public borrowing and the money supply, in terms of which Government policy has been defined.

Conclusions

Up to this point, anyone broadly sympathetic with the Government's aims must applaud. Policy is not just about numbers, and Mr. Lawson was refreshingly candid about the remaining difficulties in controlling the numbers themselves, ranging from such broad questions as the disastrous delay in getting some control of public sector costs to the more arcane problems of the banking sector. But his conclusions about these matters were not just vague in the sense in which one expects a Treasury Minister to be vague in the Budget quarter; they suggest that some central questions are still going begging.

On the fiscal side Mr. Lawson was able to say bluntly that nothing can prevent the Government getting back onto its planned path for reducing public borrowing in the coming financial year. The underlying level could be 3 per cent of gross national product.

This is an important policy statement, but it gives away no Budget secrets, since the calculations which relate the "underlying" or cyclically corrected borrowing requirement to the real world output are known only to the Treasury economists. What does mark a change is that the Treasury now apparently feels confident that it can make such an estimate. Some critics, including ourselves, have been calling for a cyclically normalised measure of the fiscal stance for many years, only to be told that the thing is technically impossible.

Mr. Lawson has argued before that policy decisions should be concerned to make steady cuts in the underlying deficit, and

not to worry about swings produced by the rises and falls in revenue and welfare disbursements, which are part of the self-balancing mechanism of the economy. In other words, in a recession the Government should allow higher borrowing, lean policy the other way. We strongly concur.

Now this fiscal policy ought to have a monetary counterpart. Mr. Lawson explained at some length why the forces of high interest rates and recession could perversely inflate the broad money figures at this stage of the economic cycle; but he did not go on to suggest that anyone could confidently go behind these distorted figures and measure the trend of "underlying" monetary growth. This is hardly surprising, because no-one has yet suggested how to measure such a trend.

Yet if this is so, monetary policy is at sea in a trackless ocean: for it is no good reaffirming your destination unless you have some idea of where you are starting from. The Financial Secretary spoke of the importance of other measures of the monetary stance—the exchange rate, narrow money, the inflation rate, and so on—but stuck to broad money as "the most useful measure." This is an odd conclusion to an explanation of why it is misleading.

Exchange rate

This is not the only question Mr. Lawson begged. He rightly exclaimed that the most powerful force against inflation had been the strong rise in the exchange rate, but he admitted that this was unexpected and partly inexplicable. Was this a result of official monetary policy, an accident connected with the North Sea, or was it partly the result of policy failures? A powerful school of City analysts attributes part at least of the rise to the Government's failures, resulting in excessive borrowing and excessive interest rates.

On the more technical side, it is encouraging to learn that long overdue reforms of funding technique are now at hand; but Mr. Lawson seems to have been misled by his long struggles with the Bank of England into believing that this is the whole problem. It is not. One strong lesson of 1980 is that official funding cannot offset excessive private borrowing. Funding technique is also relevant to the problems that may arise if it emerges that much recently-created money is backed by bad debts. There is still much on the agenda.

The West and Namibia

NO ONE should be in any doubt that yesterday's breakdown of the Namibia conference in Geneva is a major setback, not just to western diplomacy but to the hopes of negotiated peace in a critical area of southern Africa. The week-long conference ostensibly failed because the delegation from the South African controlled territory was not satisfied that the United Nations under whose chairmanship the conference was held, would organise elections impartially. These elections would have been the centrepiece of a very detailed plan, negotiated under the aegis of the five western members of the UN Security Council over the last three years, which would have led Namibia to legal independence by the end of this year.

In reality however the Geneva talks, which were billed as a pre-implementation meeting precisely because virtually all that remained to be agreed was the date of independence, failed because the political will to implement the independence plan was not there. SWAPO, the African nationalist movement which has waged guerrilla war over the territory for a decade, was ready to implement the plan. This is mainly because, looking back to Mr. Mugabe's huge electoral success in Zimbabwe last year, it believes it would sweep the board in any elections in Namibia. But South Africa, and the internal Namibian parties which it sponsors, have balked at the settlement this week because they fear an election defeat.

Sanctions

While none of the parties to the negotiations has said they will refuse to talk further, SWAPO has declared it will immediately step up the guerrilla war and demand economic sanctions against South Africa. Mr. R. T. Botha, South Africa's Foreign Minister, said in Cape Town that he considered the chances of a peaceful solution to be currently "just about zero." It is a sad culmination to one of the most important Western diplomatic initiatives towards the Third World.

Namibia is a huge territory with less than 1m people but what happens there is of great importance not just to South Africa and its neighbours but also to the West. Namibia is rich in minerals and has potential strategic significance. If SWAPO steps up the war and ultimately triumphs, the resulting Government would almost certainly, like that in neighbouring Angola, be Marxist in name and Soviet supported, perhaps also with "surrogate" troops. The guerrilla war already spills over into Angola; the longer it continues, the more that country will be damaged, making its escape from the Soviet embrace ever less likely. However, removing the prospects may seem now, the Western view—Britain, the U.S., Canada, West Germany and France—have no alternative but to continue to press for a negotiated solution.

U.S. position

Frustration with the South African performance at Geneva will mean the call for an embargo will get widespread support; key oil producers already operate their own oil sanctions. But as the West tries to head off the more extreme demands, it should make crystal clear to South Africa that its views on Namibia have not changed and that whatever new details might be worked out only a negotiated solution which involves democratic elections will receive Western support.

This is the principle which has inspired the Western initiative in the past and it survived the change from a Labour to a Conservative Government in Britain. It is even more vital that it should survive the change from a Democratic to a Republican administration in the U.S. President-elect Reagan has not yet made his administration's views on Africa known, though South Africa clearly hopes that it will get a more sympathetic hearing than before. But while the details and nuances may change, Mrs. Thatcher and Lord Carrington, when they visit Washington next month, should make sure that Mr. Reagan stands with them on the Namibia question.

GISCARD'S ELECTION PROSPECTS

France's seven-year itch

By Robert Mauthner in Paris



Until recently, it was almost certain that M. Giscard d'Estaing would be returned for a second seven-year term in this year's Presidential election. But now he is being forced to look over his shoulder, as the polls show M. François Mitterrand, his main rival, gaining ground.

ONLY A FEW weeks ago, President Valéry Giscard d'Estaing appeared to be sailing serenely towards a second seven-year term as head of the French state. After all, it was only last November that M. François Mitterrand, the Socialist leader and his main rival for the presidency, was trailing some 16 to 20 percentage points behind M. Giscard d'Estaing in the public opinion polls.

The presidential election, due to be held in two rounds at the end of April and the beginning of May, looked as if it was going to be a walk-over for M. Giscard.

The deteriorating economic situation and the Press campaign concerning the gifts of diamonds that M. Giscard is alleged to have received in his former capacity of Finance Minister from the former dictator of the Central African Republic, the "Emperor" Bokassa, appeared to have had no effect on the President's popularity.

All of a sudden, however, it seems the honest housewives of Poitiers, the tolling peasants of the Auvergne and whoever else is supposed to personify political wisdom, as distinct from Parisian frivolity, have switched allegiance. Either that, or the organisers of public opinion polls have been juggling with their famous "representative samples" to quite an unacceptable extent.

In the depressing aftermath of the Christmas and New Year festivities, a public opinion poll started a somnolent country with the finding that M. Mitterrand, whom so many considered to be yesterday's man and a born loser, did after all, have a chance of winning the election.

The poll found that, if the Presidential election was held now, the Socialist leader would defeat M. Giscard d'Estaing by 51 per cent of the total vote against 49 per cent in the final ballot. One swallow does not make a summer, of course, particularly at this time of the year, and the poll, organised by one of the lesser-known public opinion institutes, was greeted with some incredulity. Even M. Mitterrand himself found it difficult to show anything but the most qualified optimism.

The cautious attitude adopted by the Socialist leader was vindicated by a subsequent poll, published in this week's issue of the news magazine *Le Point*, showing that Giscard would beat Mitterrand by 54 against 46 per cent in a straight second round fight. But the most important aspect of the poll is that the gap between the two men is closing rapidly.

This shift in public opinion which, whatever the circumstances, remained remarkably stable during the preceding 12 months, is the result of a number of factors. As the election draws closer, more and more people who were sitting on the fence are making up their minds, and they are doing so in an economic climate which hardly favours the President and his Government. Although M. Raymond Barre, the Prime Minister and chief architect of the Government's economic policy, has long been the chief

target of public discontent, the unpopularity of his economic policies has begun to rub off on M. Giscard.

Whether the persistent criticism in the Press and by Left-wing opposition and Gaullist leaders of the Government's economic policies is justified or not is of no more than academic interest in the current political context. As far as foreign observers are concerned, France, faced with enormous problems as the result of its great dependence on imported oil, has weathered the current recession comparatively well.

The operative word is "comparative," and it all depends whether it is being used in a national or international context. The French people are struck by the fact that unemployment has reached the 1.5m mark, more than 6 per cent of the total labour force. The recession may only just be beginning to bite in France, but people are beginning to take seriously M. Barre's warning that they cannot expect the regular annual increases in their standard of living to continue. For the first time for a decade, average disposable incomes have stagnated, and even declined slightly according to some calculations, and the French people do not like it.

At the same time, the Government has manifestly failed to attain the objective to which it has given absolute priority, that is to bring down inflation to single figures. After rising by 10.9 per cent in 1979, consumer prices jumped by 13.6 per cent or more last year. These domestic factors

naturally play a greater role in an electoral period than the international comparisons which the Government can make in defence of its economic policies. That the French economy should have grown by about 3 per cent last year when both the U.S. and Britain had a negative growth rate, that industrial investment rose by 4 per cent in volume in 1980, that the country's biggest motor company, Renault, increased its sales by 17 per cent last year and produced a record 2m vehicles, have a smaller impact on public opinion than the rate of inflation and unemployment.

The economic situation and, particularly, forecasts that the recession is only just beginning and that the worst period will come in the first half of this year, is undoubtedly one of the main reasons for the swing away from Giscard. The other reasons are mostly to do with the inordinately long term of office—seven years—for which a French president is elected.

The seven-year itch is as relevant to high political office as it is to marriage. The only surprise is that the public's desire for change was not manifested earlier. If one seven-year term is too long for many people, what can be said of a President who remains in office for 14 years, as would happen if President Giscard were re-elected?

If M. Giscard d'Estaing has been accused recently of behaving more like a monarch than an elected President, the long period during which he has presided over the affairs of the country probably has much to do with it. Certainly, his

personality and aristocratic background have also influenced his style of government. But that is only part of the story. The nub of the problem is that the constitution of the Fifth Republic was devised specifically to produce a President of this very kind.

The incumbent of the Elysée Palace is one of the most powerful elected figures in the Western world. The French President appoints the Prime Minister and, through him, the Government. He can dismiss his Prime Minister whenever he likes, dissolve Parliament and call new elections. He presides over the weekly Cabinet meetings and, as head of the armed forces, has his finger on the nuclear trigger.

The casual image projected by President Giscard in the early days of his presidency, attractive as it was to some people, hardly fitted in with such great responsibilities and the French people soon made him feel this. The conventional wisdom that the French need, and fundamentally want, a regal father-figure as their President has been proved in practice. The trouble is that, if the President is there too long, he becomes a subject of intense irritation. The French both like authority and want to overthrow it.

However, those who argue that President Giscard d'Estaing has become more monarchical than his predecessors, have very short historical memories. Quite apart from his regal, autocratic manner and style of government, General de Gaulle did not hesitate in 1968 to sack M. Georges

Pompidou, his Prime Minister, in spite of the fact that the latter had done more than anyone to bring the students' revolt to an end.

M. Pompidou himself, when he was President, achieved the astonishing tour de force of dismissing his Prime Minister, M. Jacques Chaban-Delmas, just after the latter had won a vote of confidence from the National Assembly. Nothing that President Giscard has done can quite match these two acts of monarchical authority.

What is true, however, is that a seven-year term has given the President and his close advisers time to extend their influence, either directly or indirectly, in a host of areas.

Indeed, some members of President Giscard's "Kitchen Cabinet" at the Elysée probably have more influence in their own specialised fields than Government Ministers. As under General de Gaulle, foreign policy—particularly African policy—remains the special preserve of the President. Significantly, M. Jean François-Poncet, the Foreign Minister, was previously President Giscard's chief aide at the Elysée.

Whether any alternative candidate to President Giscard can exploit all the real or imagined grounds for discontent sufficiently to swing the election in his favour remains doubtful.

M. Mitterrand's popularity is only just beginning to recover after his long sparring match with his rival for the Socialist Party's nomination, M. Michel Rocard, who finally retired from the Presidential race though public opinion polls had

shown that he was the man most likely to beat Giscard. But M. Mitterrand's main weakness is that he is unlikely to win official Communist backing in the second round run-off, by which time the Communist leader and Presidential candidate, M. Georges Marchais, is expected to have been eliminated.

The Socialist-Communist Union of the Left has never recovered from the 1977 disagreements over its common programme. Currently, M. Marchais is conducting a particularly virulent campaign against M. Mitterrand, whom he accuses of right-wing deviationism. It is still on the cards, given the French Left's well-known penchant for self-destruction, that the Communist Party will advise its supporters to abstain in the final ballot in the event of a straight Giscard-Mitterrand fight. How many Communist voters would respect their party's instructions is anybody's guess, but it is doubtful whether a sufficient number would vote for M. Mitterrand to give him victory.

The Gaullists, meanwhile, are approaching the election in some disorder, united only in their opposition to M. Giscard d'Estaing and the Communists. While the Gaullist RPR party leader, M. Jacques Chirac, has not yet declared his candidacy, with a final decision not due to be taken until mid-February at a special party congress, two independent Gaullists, M. Michel Debré and Mme. Marie-France Garaud, have already started to campaign vigorously.

Of the two, M. Debré, former Prime Minister and an orthodox Gaullist, is the more formidable. He considers M. Chirac to be both inexperienced to become President and not sufficiently imbued with traditional Gaullism. The public opinion polls currently credit M. Debré with 7 to 8 per cent of the total vote in the first round, even if M. Chirac is running, while the latter would get about 8 per cent.

In the final ballot, when only the two leading candidates are left to fight it out, the Gaullist vote could make a lot of difference to the outcome. The polls show that at least 30 per cent of Gaullist voters might switch to M. Mitterrand rather than to M. Giscard d'Estaing, an entirely new phenomenon in recent elections. As for the 11 per cent protest vote presently credited to Coluche, the comedian, that would almost certainly go to M. Mitterrand.

The Socialist leader, therefore, has a very slim chance of upsetting the confident forecasts of the past year that M. Giscard d'Estaing would be re-elected by a very large margin. But a great deal can happen during the 100 days before the first round polling.

Indeed, M. Giscard d'Estaing has not yet announced whether he will be a candidate. He is not due to do so until the beginning of March. If his wife has her way, the Giscard d'Estaings would return to private life with a sigh of relief, but she is expected to be overruled in restricted Cabinet session.

MEN AND MATTERS

Tarmac covers the Witter front

Some deals go smoothly. And some do not so smoothly. As in the hour or so which it took the market yesterday to sort out what was happening to floor-covering maker Thomas Witter. First, I shall tell the Extel wires of the moment tell their story.

Wednesday, 10.22 am (ringing of bells to signify an important announcement) Thos. Witter leap: Thos. Witter have just jumped 11p to 54p. Market "announcement" will be made soon.

10.33 Thos. Witter price falls back: After its early jump of 11p to 54p, the share price has now reverted to 43p. A company spokesman said he knew of no reason for the sudden rise this morning.

10.34 Thos. Witter: Mr. James Ritchie, joint managing director of the group, said this morning he had no clues as to the reason behind the sudden jump in the share price. And he said the group does not plan to make any announcement.

11.27 (bells, alarms, excursions) Tarmac bid for Thomas Witter: Tarmac has bought 4,851,856 Witter shares 55.13 per cent at 54p per share. Pursuant to the City Code, Tarmac Building Products, wholly-owned sub of Tarmac, is offering to acquire balance at 54p each. Confusing. Seemingly unorthodox, even, what with that 54p price popping up an hour before the bid was made. But wait. What actually happened is, I understand, as follows:

Tarmac, advised by newly confirmed accepting house Robert Fleming, decided on Monday to take the plunge. Witter looked a good buy, and stockbroker Jacobson Townsley reckoned it could package over half the Witter equity to be put through the market with Cazenove buying for Tarmac. Yesterday, the market opened and the operation was underway. Now was the moment for Tarmac to break its necessary

silence, and reveal itself to Witter. Jobbers Wedd, Durlacher and Akroyd and Smithers were briefed for the put-through, and a Tarmac taxi party headed off to tell Witter the news.

But shares move faster in the Stock Exchange than taxis do when snarled in traffic jams. And so while over half its equity changed hands, Witter proclaimed in all honesty that it had not the slightest idea of what was going on. And the 54p price which gave the game away? Well, whether out of carelessness or misplaced confidence we may never know, at least one jobber's board seemed to have jumped the "put-through" gun with a price not normally quoted until the completion of such a deal.

Less than an hour later, Cazenove was standing in the market politely offering to buy up any more shares that were going at the 54p price, to close the day with over 80 per cent of Witter in Tarmac hands.

Tour de force

Such honour is still being lavished on Edward Heath abashed that it is little wonder he finds the long wait for renewed political recognition at home so frustrating.

Today Fidel Castro takes his turn to put out the flags as the former Premier turned roving ambassador for the Brandt Commission lands in Cuba.

The extravagance of the reception laid on by the island's austere ruler for the four-day visit has bemused Heath's aides despite the stately progress he has already made through the Middle East, Mexico and Jamaica. "Castro is welcoming him as though he were still Prime Minister," I am told. Fidel's flattering attentions may stem in large measure from his eagerness to secure a place as leader of the non-aligned nations at the North-South summit due to be held in Mexico in June. A place at the table, alongside leaders like Ronald Reagan and Margaret

Thatcher, would save the bruises to his ego caused by last year's flight of 100,000 Cubans to the U.S.

But Heath, I hear, is rather more concerned at the moment about the more personal price he is paying for the hectic hospitality of the tour. Quite apart from his susceptible waistline, exhaustion forced him to miss a ceremonial dinner in Mexico.

Close-down

The Government's lines of communication got even more tangled yesterday as the Department of Industry arranged a conference on information technology—and then barred journalists from it.

Senior figures had been summoned from Whitehall, the Post Office, broadcasting and industry to hear Sir Keith Joseph's newly-installed deputy Kenneth Baker appeal for a combined marketing strategy for the country's teletext and videodata systems. There has been much bickering over the issue and the word went out to selected reporters that they would be welcome to

attend and witness the emergence of a new and cohesive plan. But those who did get in were summarily ejected and later arrivals stopped at the doors.

From Whitehall's humming and hawing network I gather the decision may have been connected with Margaret Thatcher's embarrassment this week over charges that she has been giving a few chosen journalists a personal view of Government policy.

If the entire Press corps could not be present, then better none. Especially, came a ps. if the conference should only achieve a declaration of intent. Which it did.

Away from it all

The most heartless Press release of the year—so far—has emerged from the Association of British Travel Agents. Entitled "Business as Usual for Italian Holidays," it reports on the condition of tourist facilities after the Naples earthquake.

ABTA's Alan James assures sensitive travellers that "Anyone going on holiday to the Neapolitan coast will enjoy all the same facilities they would have enjoyed before the earthquake and, just as important, the holiday atmosphere of the resorts remains unchanged. Those made homeless by the earthquake have mostly preferred to remain close to their villages and are not staying at holiday hotels, which are open for 'business as usual'." See Naples and Live!

But not departed

British Rail, never far behind London Transport in its circuitous advice to commuters, appealed to passengers at London Bridge: "Please do not join the train at platform 8. This train is dead."

Observer



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Prime rate-based credits proliferate

BY PETER MONTAGNON, EUROMARKET CORRESPONDENT

FOR MORE than a year, banks in the syndicated credit market have faced what is normally characterised as a "borrowers' market." Competition for business has forced margins lower and banks which have wanted to book new business have had little option but to meet the demands of the borrowers.

But appearances are misleading, and in at least one respect, the banks have begun to turn the tables. Credits where the margin is set over U.S. prime rate, rather than the traditional London interbank offered rate (Libor), are proliferating.

An historical perspective suggests that the total interest cost makes such deals more expensive for the borrower, even taking into account the "point" reduction in the margin normally conceded on a prime-based credit.

During the period 1975-1980, U.S. prime rates were higher than six-month Libor for more than two weeks out of three on average. A similar pattern emerges for three-month Libor. Over the period Libor has tended to be at a discount to prime throughout periods of stable interest rates. The discount becomes more marked when rates are falling, while the

two rates tend to converge only at times of rising rates.

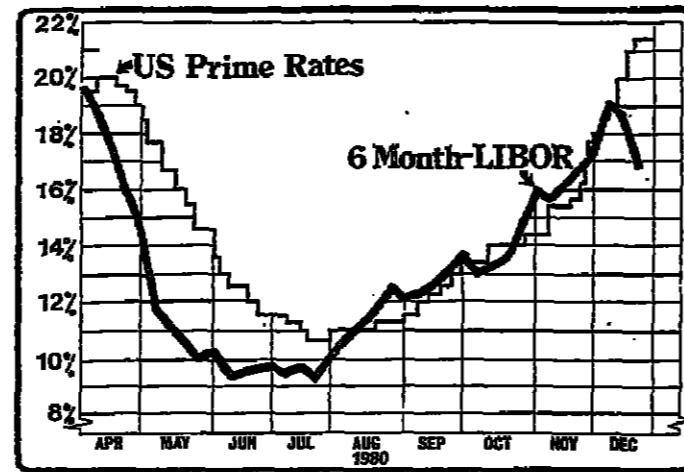
Libor has rarely moved substantially above prime rate and has sometimes been at a steep discount to it. At the moment, for example, prime rate stands almost three percentage points higher than Libor.

Any final judgement on whether the proliferation of prime-based credits means the market is turning in favour of lenders depends on the extent to which borrowers are actually being obliged to raise money over prime instead of Libor, or how far such a move is one they accept voluntarily.

There is some evidence that borrowers are happy to accept a prime-based credit, even though history suggests it will cost them more.

Not all borrowers believe that the relationship between prime and Libor will always remain the same. None can make an accurate forecast of their interest costs over the life of a loan.

This is especially difficult where Libor-based credits are concerned. The interest rate on such credits is adjusted every three or six months. It is a matter of chance whether the interest adjustment day falls at a time when interest rates are



poised to rise or fall, thereby locking a borrower into cheaper or more expensive money than would prevail in the next three or six months.

The interest on credits priced over prime rate is adjusted with each change in prime, so that at least this element of uncertainty is excluded. But even so, interest rate fluctuations make it a frustrating task for borrowers to assess their likely borrowing costs.

Some do not even try. Instead, they concentrate on the margin, which is arrived at by negotiation with the lenders. This they feel is the only aspect of the interest cost over which they have any real control.

Low margins add to a borrower's prestige. Because prime-based credits are highly lucrative to banks with a deposit base in the U.S., they are normally prepared to offer them

at a lower margin than would be conceded over Libor.

So a borrower whose main concern is to achieve a prestigious decline in margins may be perfectly happy to accept a prime-based credit even though he risks paying more interest in the longer term.

But a nagging question remains: why are such borrowers apparently unable to force a further reduction in margins over Libor, when the available evidence suggests that this would also cost less in interest?

That these borrowers which include such names as Spain, Belgium, Mexico and Italy, have increasingly sought to propel margins lower by the artificial means of altering the pricing yardstick for their credits, tends at least to confirm the suspicion that margins in the Euromarket may have finally reached their nadir.

Loans by World Bank to cost more

By Peter Montagnon, Euromarkets Correspondent

THE WORLD BANK is to increase its lending rate shortly to 9.5 per cent from the current level of 9.25 per cent, according to Mr. Eugene Rosenberg, its treasurer.

The bank's lending rate is based on the actual cost of borrowing in the six months prior to adjustment, together with an estimate of the probable cost of borrowing in the following six months.

Mr. Rosenberg said in London that the actual cost of borrowing over the past six months had been 8.23 per cent compared with 8.24 per cent for the full fiscal year ended June 30, 1980.

The decision to raise the lending rate is thus heavily influenced by a selection of factors that the bank's borrowing cost will rise to around 10 per cent in the first half of this year, he said.

Mr. Rosenberg stressed that this should not be read as a forecast of interest rates, as the borrowing costs principally reflected the mix of currencies the bank chose to borrow. But bankers note that a forecast of rising rates from such an experienced borrower holds out little comfort for those who hope for a significant decline in interest rates.

During the next six months, the bank has to borrow little less than \$2bn through public bond issues and private placements in international markets in order to complete its \$6.6bn borrowing programme for the current fiscal year. It may, however, borrow more than this figure if demand conditions seem right in order to raise funds ahead of next year's needs.

Mr. Rosenberg said that at the moment the bank expected to borrow Deutsche marks, yen and Swiss francs during this period. It may also borrow U.S. dollars and, for the first time since 1976, Dutch guilders.

The D-mark borrowings will not be arranged before April because the bank's options now being placed on new issues in this market by the Bundesbank, in concert with leading German banks.

Interest rates on dollar bonds have become attractive again, Mr. Rosenberg said, but he added that the World Bank would not follow the practice of some other borrowers by agreeing to an issue which would not sell.

Last week the bank was offered a dollar bond issue at a yield of 12.13 per cent on a semi-annual coupon basis. It rejected the offer because it knew that such an issue could not be firmly placed in the market.

Iceland floats sterling bond to raise £15m

By Francis Ghille

ICELAND yesterday became the second foreign borrower to float a domestic sterling bond in London since Denmark reopened this sector last July. The sector had been closed since 1982.

The 35-year issue, which will raise £15m, offers investors a coupon of 14½ per cent and an effective yield of 15.12 per cent. This is a little more than 100 basis points above yields on gilt-edged securities which mature in 2000. Lead manager is Hambros Bank and the bonds will be priced at 96.

The commissions total 1 per cent, 1 per cent of which are accounted for by underwriting fees and 1 per cent by brokerage fees. These commissions are 1 per cent higher than those on Danish issues, for two reasons: the maturity of the issue is longer and the amount smaller.

In the dollar sector, trading was dull. Prices improved a fraction as a result of the good tone of the New York market and the slight easing of short-term dollar interest rates.

A \$40m 10-year floating rate note issue was launched by Credit Suisse First Boston for Christiana Bank with an interest rate set at 1 per cent above the three-month interbank rate with a minimum of 5½ per cent.

Trading was also very quiet in the DM sector, where the Capital Markets Sub Committee, which decides every month the new bond calendar, meets in Frankfurt today. The only issue expected to be agreed is one for a regional development bank. The gentlemen's agreement reached between the Bundesbank and the members of the sub-committee last autumn which aims at restricting capital exports is expected to be continued.

Meanwhile, Pierson Holding in Pierson is launching, on its own behalf, a £150m five-year issue on the Euro-guilder market. The terms include a coupon of 10½ per cent and a price of par. The amount has been set as a maximum and the final amount will be set after the subscription period on January 22.

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NCR raises earnings but remains cautious

BY OUR FINANCIAL STAFF

NCR, one of the largest manufacturers of business information processing systems, has comfortably met forecasts of record profits in 1980 but the board warns that results for the current year will depend on business conditions in the U.S. and on the extent of recessions elsewhere.

However, "based on current backlog and product availability," the group expects higher sales and profits during the early part of 1981.

For 1980, earnings rose 8.4 per cent to \$254.7m, or \$9.50 a share on sales up 11 per cent to \$3.32bn.

In the final quarter profits rose 20 per cent to \$118m, or \$4.38 a share, on sales 10 per cent higher at \$1.08bn.

NCR said the profit rise in the fourth quarter was attributable to the higher revenue, improved margins and a lower effective tax rate than a year earlier.

New orders declined in the fourth quarter, compared with 1979, reflecting the softening of several major European economies in addition to the continuation of unfavourable conditions in the U.S.

New orders for all of 1980 matched 1979's record level because of the strength of international markets in the first three quarters, NCR commented.

The company said earlier that prospects for 1981 hinged on a rebound in the U.S. order rate implying that the uncertain outlook for the U.S. economy could be of crucial importance.

In recent years, U.S. operations have provided about 46 per cent of sales and 59 per cent of earnings with Europe bringing in a further 28 per cent and 21 per cent respectively.

On the basis of NCR's results, the company's share price lost \$2.50 and topped the list of most active stocks.

The price is \$89.5m, of which \$52.3m is in cash, and \$37.2m in assumed debt. The deal, expected to be completed in the 1981 first quarter, is subject to approval of the Ogden and Zapata boards and to regulatory clearances.

The vessels will be added to the fleet of Ogden Marine, an Ogden subsidiary. They were built in 1976 and 1977.

The industrial division,

Bethlehem Steel falls short of forecasts

By Our Financial Staff

BETHLEHEM STEEL CORPORATION, the second largest U.S. producer, had a disappointing year in 1980 with shipments and profitability failing to match expectations, according to Mr. Donald Trautwein, the chairman. Full results will be published later.

Despite a small improvement in the steel market towards the end of 1980, the company remains concerned about the current level of interest rates and their effect on its markets in 1981. Interest rates have already dampened a modest recovery in the motor and housing industries.

For 1981, Bethlehem expects a slight decline in steel consumption but some improvement in foreign trade and an end to stock liquidation should improve shipments.

After the first nine months of last year Bethlehem's net profits were down from \$267.1m to \$243.5m, after a return to the profit in the third quarter with a deficit of \$32.3m against a \$74.8m profit.

First National

Boston shows modest gain

By Our Financial Staff

NET OPERATING profits at First National Boston Corporation, the New England bank holding company, jumped only modestly from \$22.43m to \$23.25m, or from \$1.82 a share to \$1.85, in the final quarter of 1980.

For the year, operating net profits showed a strong gain from \$84.95, or \$6.90 a share, to \$108.14m, or \$8.90 a share. Per share profits after securities transactions were \$6.22 compared with \$6.84 in 1979.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices which will be published next on Thursday, February 12.

Closing prices on January 14

U.S. DOLLAR	Change on	U.S. DOLLAR	Change on
STRAIGHTS	Issued	Bid	Offer
CECA 11 1/2 88	100	91 1/2	92 1/2
CPE 13 3/4 87	100	100 1/2	101 1/2
Export 0/5 Fin. 10 88	100	97 1/2	98 1/2
Citibank 0/5 Fin. 12 87	100	99 1/2	100 1/2
Con. Illinois 0/5 Fin. 88	100	98 1/2	99 1/2
Denmark 11 1/2 88	100	98 1/2	99 1/2
Dom. Petrol 11 1/2 88	100	97 1/2	98 1/2
EEC 11 1/2 (May) 88	100	94 1/2	95 1/2
EEC 11 1/2 (August) 88	100	94 1/2	95 1/2
EEC 11 1/2 (Nov) 88	100	94 1/2	95 1/2
Erzard 11 1/2 88	100	94 1/2	95 1/2
Elac. de France 10 88	100	94 1/2	95 1/2
Export Dev. Con. 12 87	100	94 1/2	95 1/2
Export Dev. Bank 12 87	100	94 1/2	95 1/2
Fin. Ex. Credit 10 88	100	94 1/2	95 1/2
Fin. Ex. Credit 11 88	100	94 1/2	95 1/2
Fin. Ex. Credit 12 88	100	94 1/2	95 1/2
Fin. Ex. Credit 13 88	100	94 1/2	95 1/2
Fin. Ex. Credit 14 88	100	94 1/2	95 1/2
Fin. Ex. Credit 15 88	100	94 1/2	95 1/2
Fin. Ex. Credit 16 88	100	94 1/2	95 1/2
Fin. Ex. Credit 17 88	100	94 1/2	95 1/2
Fin. Ex. Credit 18 88	100	94 1/2	95 1/2
Fin. Ex. Credit 19 88	100	94 1/2	95 1/2
Fin. Ex. Credit 20 88	100	94 1/2	95 1/2
Fin. Ex. Credit 21 88	100	94 1/2	95 1/2
Fin. Ex. Credit 22 88	100	94 1/2	95 1/2
Fin. Ex. Credit 23 88	100	94 1/2	95 1/2
Fin. Ex. Credit 24 88	100	94 1/2	95 1/2
Fin. Ex. Credit 25 88	100	94 1/2	95 1/2
Fin. Ex. Credit 26 88	100	94 1/2	95 1/2
Fin. Ex. Credit 27 88	100	94 1/2	95 1/2
Fin. Ex. Credit 28 88	100	94 1/2	95 1/2
Fin. Ex. Credit 29 88	100	94 1/2	95 1/2
Fin. Ex. Credit 30 88	100	94 1/2	95 1/2
Fin. Ex. Credit 31 88	100	94 1/2	95 1/2
Fin. Ex. Credit 32 88	100	94 1/2	95 1/2
Fin. Ex. Credit 33 88	100	94 1/2	95 1/2
Fin. Ex. Credit 34 88	100	94 1/2	95 1/2
Fin. Ex. Credit 35 88	100	94 1/2	95 1/2
Fin. Ex. Credit 36 88	100	94 1/2	95 1/2
Fin. Ex. Credit 37 88	100	94 1/2	95 1/2
Fin. Ex. Credit 38 88	100	94 1/2	95 1/2
Fin. Ex. Credit 39 88	100	94 1/2	95 1/2
Fin. Ex. Credit 40 88	100	94 1/2	95 1/2
Fin. Ex. Credit 41 88	100	94 1/2	95 1/2
Fin. Ex. Credit 42 88	100	94 1/2	95 1/2
Fin. Ex. Credit 43 88	100	94 1/2	95 1/2
Fin. Ex. Credit 44 88	100	94 1/2	95 1/2
Fin. Ex. Credit 45 88	100	94 1/2	95 1/2
Fin. Ex. Credit 46 88	100	94 1/2	95 1/2
Fin. Ex. Credit 47 88	100	94 1/2	95 1/2
Fin. Ex. Credit 48 88	100	94 1/2	95 1/2
Fin. Ex. Credit 49 88	100	94 1/2	95 1/2
Fin. Ex. Credit 50 88	100	94 1/2	95 1/2
Fin. Ex. Credit 51 88	100	94 1/2	95 1/2
Fin. Ex. Credit 52 88	100	94 1/2	95 1/2
Fin. Ex. Credit 53 88	100	94 1/2	95 1/2
Fin. Ex. Credit 54 88	100	94 1/2	95 1/2
Fin. Ex. Credit 55 88	100	94 1/2	95 1/2
Fin. Ex. Credit 56 88	100	94 1/2	95 1/2
Fin. Ex. Credit 57 88	100	94 1/2	95 1/2
Fin. Ex. Credit 58 88	100	94 1/2	95 1/2
Fin. Ex. Credit 59 88	100	94 1/2	95 1/2
Fin. Ex. Credit 60 88	100	94 1/2	95 1/2
Fin. Ex. Credit 61 88	100	94 1/2	95 1/2
Fin. Ex. Credit 62 88	100	94 1/2	95 1/2
Fin. Ex. Credit 63 88	100	94 1/2	95 1/2
Fin. Ex. Credit 64 88	100	94 1/2	95 1/2
Fin. Ex. Credit 65 88	100	94 1/2	95 1/2
Fin. Ex. Credit 66 88	100	94 1/2	95 1/2
Fin. Ex. Credit 67 88	100	94 1/2	95 1/2
Fin. Ex. Credit 68 88	100	94 1/2	95 1/2
Fin. Ex. Credit 69 88	100	94 1/2	95 1/2
Fin. Ex. Credit 70 88	100	94 1/2	95 1/2
Fin. Ex. Credit 71 88	100	94 1/2	95 1/2
Fin. Ex. Credit 72 88	100	94 1/2	95 1/2
Fin. Ex. Credit 73 88	100	94 1/2	95 1/2
Fin. Ex. Credit 74 88	100	94 1/2	95 1/2
Fin. Ex. Credit 75 88	100	94 1/2	95 1/2
Fin. Ex. Credit 76 88	100	94 1/2	95 1/2
Fin. Ex. Credit 77 88	100	94 1/2	95 1/2
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Fin. Ex. Credit 79 88	100	94 1/2	95 1/2
Fin. Ex. Credit 80 88	100	94 1/2	95 1/2
Fin. Ex. Credit 81 88	100	94 1/2	95 1/2
Fin. Ex. Credit 82 88	100	94 1/2	95 1/2
Fin. Ex. Credit 83 88	100	94 1/2	95 1/2
Fin. Ex. Credit 84 88	100	94 1/2	95 1/2
Fin. Ex. Credit 85 88	100	94 1/2	95 1/2
Fin. Ex. Credit 86 88	100	94 1/2	95 1/2
Fin. Ex. Credit 87 88	100	94 1/2	95 1/2
Fin. Ex. Credit 88 88	100	94 1/2	95 1/2
Fin. Ex. Credit 89 88	100	94 1/2	95 1/2
Fin. Ex. Credit 90 88	100	94 1/2	95 1/2
Fin. Ex. Credit 91 88	100	94 1/2	95 1/2
Fin. Ex. Credit 92 88	100	94 1/2	95 1/2
Fin. Ex. Credit 93 88	100	94 1/2	95 1/2
Fin. Ex. Credit 94 88	100	94 1/2	95 1/2
Fin. Ex. Credit 95 88	100	94 1/2	95 1/2
Fin. Ex. Credit 96 88	100	94 1/2	95 1/2
Fin. Ex. Credit 97 88	100	94 1/2	95 1/2
Fin. Ex. Credit 98 88	100	94 1/2	95 1/2
Fin. Ex. Credit 99 88	100	94 1/2	95 1/2
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Fin. Ex. Credit 13 88	100	94 1/2	95 1/2
Fin. Ex. Credit 14 88	100	94 1/2	95 1/2
Fin. Ex. Credit 15 88	100	94 1/2	95 1/2
Fin. Ex. Credit 16 88	100	94 1/2	95 1/2
Fin. Ex. Credit 17 88	100	94 1/2	95 1/2
Fin. Ex. Credit 18 88	100	94 1/2	95

INTERNATIONAL COMPANIES and FINANCE

Swiss group to acquire Kneissl next month

By John Wicks in Zurich

KNEISSL is to pass into new ownership at the beginning of next month when a consortium headed by Mr. Walter Hauenstein, the Swiss businessman, effectively takes over the troubled Austrian ski maker.

From February 1, the Swiss construction group owned by Mr. Hauenstein will lease Kneissl's Kufstein manufacturing plant and acquire all subsidiaries, stocks and trade marks.

The Swiss company will have a 75 per cent shareholding in the new venture and will be backed by the U.S. ski maker, Trak (with 24 per cent), and the Austrian textile group, Carinthia, which will hold a nominal 15 per cent stake.

After Fischer, Atomic and Bizzard, Kneissl is the fourth largest ski maker in Austria. But the rescue group plans to cut back production severely to around 350,000 pairs annually from the present 500,000.

About 170 redundancies (roughly a third of Kneissl's workforce) are planned in an effort to trim Kneissl to what Mr. Hauenstein describes as "sensible dimensions."

The downturn in demand for skis has badly hampered the family-owned Kneissl, pushing the group heavily into the red. It was faced with liquidation if it failed to find a purchaser.

Five weeks ago Kneissl estimated its liabilities at Sch 430m (\$30m), which was Sch 70m more than the figure for assets. When the rescue package was first mooted earlier this month, Mr. Hauenstein said something like SwFr 25m would be needed to save the company.

Deutsche BP hit by loss on refining and marketing

BY KEVIN DONE IN HAMBURG

DEUTSCHE BP, British Petroleum's largest foreign subsidiary outside the U.S., suffered a major collapse in profits last year as a result of DM 104m (\$62m) of losses on oil refining and marketing.

After tax profits fell to DM 13m in 1980 compared with DM 126m. Sales rose to DM 255m from DM 221m in 1979 as a result of oil price increases, but volume dropped from 27.5m tonnes in 1979 to 23.2m tonnes.

Deutsche BP's weak profit performance is one of the major factors inhibiting any move to sell part of group equity to the German public, Dr. Hellmuth Buehner, the chief executive, admitted yesterday.

Such a move has long been cherished by Dr. Buehner but appeared unlikely in the foreseeable future.

The company's lack of profits was also jeopardising its ambi-

tions long-term capital expenditure plans, which are estimated at some DM 12bn over the next 10 years, said Dr. Buehner. The group is forecasting expenditure of DM 3bn in oil refining, DM 1bn on marketing, DM 2bn in petrochemicals and plastics, DM 5bn on gas and DM 2bn on coal, including gasification and liquefaction.

The company is studying the possibility of acquiring a major stake in Preussag, the West German energy, transport and metals group. Dr. Walter Kirsten, a Deutsche BP board member confirmed yesterday, but no negotiations have yet taken place.

Stock market rumours have surfaced in recent weeks suggesting that the Westdeutsche Landesbank, the third largest bank in West Germany, is keen to find a buyer for its 40 per cent stake in Preussag, and

Deutsche BP has been consistently named as the most likely buyer.

Many of Preussag's activities would fit well into BP's expansion plans, especially in sectors such as metals, but any such move would be likely to run into considerable political opposition in Bonn and from the Federal Cartel Office in West Berlin.

The company is looking to new sources for crude oil in an effort to reduce its dependence on central supplies from the BP group. Only 40 per cent of Deutsche BP's crude oil needs will be met by the BP group centrally this year compared with 55 per cent in 1980 and 75 per cent in 1979.

Long-term contracts, each for more than 1m tonnes year, have been agreed with Algeria and Libya and preliminary contacts have been taken up with Iraq, Saudi Arabia and Mexico.

Matra gains full control of Hachette

By David White in Paris

MATRA, the French arms and electronics company, has gained absolute control of the Hachette publishing business after buying the bulk of minority shareholders' interests.

A Matra-controlled holding company, Mariys, set up last month with the aim of building up a stake of at least 51 per cent in Hachette, now held 83 per cent of the stock. Only 10 per cent of Hachette shares are now reckoned to be in the hands of the general public, compared with 70 per cent before the takeover.

Matra and the merchant bank which handled the deal, Banque Privée de Gestion Financière (BPGF), committed themselves to an offer of FFf 340—the highest level Hachette shares had reached during previous buying operations on the bourse—for 15 stock market sessions. This price compares with the FFf 305 price before the shares were suspended from trading on December 10. The purchasing period closed on Tuesday.

Mariys already held 36.3 per cent, enough for a blocking minority but the overwhelming control now exercised by Matra and its associates raises questions about the composition of the new board of Hachette. A board meeting is expected later this week.

As a result of the additional share purchases the cost of the takeover has risen to about FFf 500m (\$107m).

The controlling stake in Mariys is split between Matra, which has 20 per cent; its chairman, M. Jean-Luc Lagardere, and his predecessor, M. Sylvain Floirat, who between them have 14 per cent; and the Europe No. 1 radio station, headed by M. Lagardere, which has 17 per cent.

Sharp profits setback at PUK

BY OUR PARIS STAFF

PECHINEY, Ugine Kuhlmann, the French metals and chemicals group, suffered a sharp setback last year, with net earnings estimated at FFf 600m (\$180m) compared with FFf 997m, despite 17 per cent growth in turnover to around FFf 88m.

The fall in earnings is attributed to reduced demand and the effects of higher energy costs on French operations.

But company directors said yesterday that prices had recently shown signs of picking up, indicating an end to customer de-stocking. The

group was also counting on high growth in world demand for aluminium.

After a series of divestitures in other areas in the past four years, the group has tended to concentrate more on this central sector, which last year made up 40 per cent of group sales and 75 per cent of gross profits.

Aluminium sales rose 18 per cent, largely because of price changes, and gross earnings from the sector climbed from FFf 1,800m to FFf 2,070m. The group's fine metallurgy sector, including nuclear fuels, also

showed higher turnover and profit but its other divisions plunged into the red.

The special steel division, Ugine Acières, after staying in profit for the second half of 1979 and the first four months of last year, saw its losses almost doubled to FFf 165m. Overall, PUK loss in steel and copper was FFf 170m, twice as much as the previous year's profits.

Its chemical sector, where turnover rose in value by 10 per cent but sales volume fell by 4 per cent, saw a FFf 275m profit turned into a FFf 105m loss.

Ford Nederland stays in red and passes dividend

BY CHARLES BATCHELOR IN AMSTERDAM

FORD NEDERLAND will not pay an interim dividend for 1980 and sees little prospect of returning its loss-making operation to profit.

This is the conclusion of a study carried out into possible alternative uses for the plant which assembles transit light vans and trans-Continental heavy trucks. The company declined to comment on prospects for the plant, though the works council said there was no plan to shut it down.

The 1980 interim dividend is being passed because of serious losses caused by the decline of car and commercial vehicle

sales in the Netherlands and a fall in export orders.

The company, whose 1,200 production staff have been on half-time working since September, suffered a Ft 8.1m (\$3.7m) loss in 1979, compared to a profit of Ft 4.7m in 1978. Sales in 1979 totalled Ft 1.12bn.

● The French subsidiary of the Philips electrical group, La Radiotechnique, expects net consolidated earnings for 1980 to be about the same as the FFf 50m (\$10.5m) profit recorded in 1979. Last year's consolidated sales are expected to show an increase of 7 per cent on 1979.

Slow growth in earnings at Georg Fischer

By Our Zurich Correspondent

TURNOVER of the Swiss engineering concern, Georg Fischer, rose by 10.4 per cent last year to a record SwFr 1.7bn (\$834m).

Sales of the machinery and plant division went up by nearly 20 per cent and now account for 44 per cent of overall turnover. Castings and plastics turnover increased by 10 per cent and contributed 29 per cent to sales, while the contract casting business remained at the previous year's levels.

Profits improved on the SwFr 12m (\$6.5m) recorded for 1979, though growth lagged behind that reported for sales. Thus earnings have remained well below the 1977 peak of SwFr 20m.

● Ciba Geigy the chemicals group, has acquired control of the German starch producer, Hoffmanns Starkefabriken, by purchasing more than 50 per cent of the company's shares for an unspecified cash sum.

Hoffmanns Starkefabriken manufactures a wide range of textile-care products, as well as special starches and starch derivatives for industrial use. The company also owns the diet-food producer, Veilmann Diät, and the packaging manufacturer, Bega-Werke.

It has annual sales of DM100m (\$51.5m) and employs about 600 workers. It will be operated as part of Ciba's Airwick household products division, which has international sales of more than \$350m.

Turnover up at Montedison

By Our Financial Staff

TURNOVER AT Montedison, the Italian textiles and chemicals group, rose 18 per cent to L3,750m (\$8,930m) in the January-October period of 1980 compared with the corresponding period of 1979—a disappointing result considering annual inflation rates of more than 21 per cent in Italy.

The company said that provisional consolidated group turnover rose 18.5 per cent to L6,090m. Results were particularly disappointing in the plastic materials, synthetic fibres, and pesticides divisions.

THE FOLLOWING IS A REPRINT OF A NOTICE WHICH WAS FIRST PUBLISHED ON DECEMBER 19, 1980:

Notice of Redemption

Gearhart Finance N.V.

7½% Convertible Subordinated Guaranteed Debentures Due 1995

Redemption Date: January 23, 1981

Conversion Right Expires: January 23, 1981

NOTICE IS HEREBY GIVEN to the holders of 7½% Convertible Subordinated Guaranteed Debentures Due 1995 ("Debentures") of Gearhart Finance N.V. ("Finance") that in accordance with the terms of the Indenture dated as of March 1, 1980, among Finance, Gearhart Industries, Inc. ("Gearhart") and The First National Bank of Chicago, as Trustee, Finance has elected to redeem all of the outstanding Debentures on January 23, 1981, at a redemption price of 106½% of the principal amount thereof plus accrued interest from March 1, 1980 to January 23, 1981. Payment of the redemption price and accrued interest, which will aggregate \$5,635.01 for each \$5,000 principal amount of Debentures, will be made upon presentation and surrender of the Debentures, together with all attached unexpired interest coupons, at the option of the holder either (a) at the main office of First Chicago International Banking Corporation, 767 Fifth Avenue, New York, New York 10022, or (b) subject to any laws or regulations applicable thereto in the country of any such office, at the main offices of the additional Paying and Conversion Agents set forth below. Such payments shall be made in such coin currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts. Payment at the offices referred to in (b) above shall be made, at the direction of the holder, by check drawn on, or transfer to a United States dollar account maintained by the payee with a bank in the Borough of Manhattan, The City of New York.

On the date set for redemption, the redemption price will become due and payable upon each Debenture. The Debentures will no longer be outstanding after the date set for redemption and all rights with respect thereto, including accrual of interest, will cease on that date, except only the right of the holders thereof to receive the redemption price and interest accrued to such date.

CONVERSION OR SALE ALTERNATIVES

Debentureholders have, as alternatives to redemption, the right to sell their Debentures through usual brokerage facilities on or before the close of business on January 23, 1981, to convert such Debentures into the \$5.00 par value Common Stock of Gearhart ("Gearhart Common Stock"). The right to convert the principal of the Debentures to be redeemed will terminate at the close of business on January 23, 1981.

The Debentures may be converted into Gearhart Common Stock at the rate (adjusted for the one-for-one stock dividend effective August 13, 1980) of 166 shares for each \$5,000 principal amount of Debentures. In order to effect this conversion, a Debentureholder should complete and sign the CONVERSION NOTICE on the Debenture, or a substantially similar notice, and deliver the Debenture and signed notice to (a) the main office of First Chicago International Banking Corporation, 767 Fifth Avenue, New York, New York 10022, or (b) subject to any laws or regulations applicable thereto in the country of any such office, to the main offices of the additional Paying and Conversion Agents set forth below. A holder who surrenders Debentures for conversion will receive a certificate for the full number of whole shares of Gearhart Common Stock to which he is entitled. No fractional shares will be issued upon conversion of any Debentures, but in lieu thereof Gearhart will pay in United States dollars an amount equal to the market value of such fractional share computed on the basis of the reported last sale price of Gearhart Common Stock on the New York Stock Exchange Composite Tape on the last business day before the conversion date. If more than one Debenture shall be delivered for conversion at one time by the same holder, the number of full shares which shall be deliverable upon conversion shall be computed on the basis of the aggregate principal amount of Debentures so converted. The conversion will be deemed to have been effected on the date on which the Paying and Conversion Agents receive the properly completed and signed notice and the Debentures surrendered for conversion unless the Debentureholder shall have instructed the Paying and Conversion Agent to effect the conversion on a particular date following such delivery and such Debentureholder shall be entitled to convert such Debenture on such date, in which case such conversion shall be deemed to be effected immediately prior to the close of business on such date. Upon conversion of Debentures, no payment or adjustment will be made on account of any interest accrued thereon or on account of any dividends on the Gearhart Common Stock issued upon such conversion. Debentures delivered for conversion must be accompanied by all interest coupons maturing after the date of surrender.

From October 30, 1980, through November 29, 1980, the last reported sale prices of Gearhart Common Stock on the New York Stock Exchange Composite Tape ranged from a high of \$60 per share to a low of \$40 per share. The last reported sale price of Gearhart Common Stock on such Composite Tape on December 11, 1980, was \$49½ per share. At such last sale price per share, the holder of \$5,000 principal amount of Debentures would receive, upon conversion, shares of Gearhart Common Stock and Cash for the fractional interest having an aggregate value of \$8,312.50. However, such value is subject to change depending on changes in the market value of Gearhart Common Stock. So long as the market price of Gearhart Common Stock is \$33½ or more per share, Debentureholders upon conversion will receive Common Stock and cash in lieu of any fractional share having a greater market value than the cash which they would receive upon redemption.

IMPORTANT CONSIDERATION REGARDING SALE, CONVERSION OR REDEMPTION

As described above, based upon current market prices, the market value of Gearhart Common Stock into which each Debenture is convertible is significantly greater than the amount of cash which would be received upon surrendering a Debenture for redemption. All rights to convert the Debentures into Gearhart Common Stock EXPIRE as of the close of business on January 23, 1981.

ADDITIONAL PAYING AND CONVERSION AGENTS

The First National Bank of Chicago
One Royal Exchange Buildings
London EC3P 3DR, England

The First National Bank of Chicago
6 Place des Eaux-Vives
1211 Geneva 6, Switzerland

Banque de Paris et des Pays-Bas pour le Grand-Duché de Luxembourg
10A, Boulevard Royal
Luxembourg, Luxembourg

Swiss Bank Corporation
Paradeplatz 6
8002 Zurich, Switzerland

Dated: December 19, 1980

For Gearhart Finance N.V.
J. P. Clark
Managing Director

Republic of Iceland

Placing of

£15,000,000 14½ per cent. Stock 2016

Issue price £96 per cent.

Hambros Bank Limited

has agreed to subscribe or procure subscribers for the Stock

Application has been made to the Council of the Stock Exchange in London for the whole of the above Stock to be admitted to the Official List. In accordance with the requirements of the Council of the Stock Exchange in London £1,500,000 of the Stock is available to the market on the date of publication of this advertisement. The Stock will be payable as to £20 per cent, on application and £76 per cent, on 27th March, 1981. Full particulars of the Stock will be available from Extel Statistical Services Limited and copies may be obtained during normal business hours on any week day (Saturdays and public holidays excepted) up to and including 30th January, 1981 from the Brokers to the issue:

Rowe & Pittman,
City Gate House,
39-45 Finsbury Square,
London EC2A 1JA

W. Greenwell & Co.,
Bow Bells House,
Broad Street,
London EC4M 9EL

15th January, 1981

NOTICE OF REDEMPTION

to the holders of bonds payable in American Currency
of the issue designated

9% Bonds due February 15, 1985

(herein called "Bonds") of

The Norwegian State and Municipal Power Consortium, Sira-Kvina Kraftelskap

Public Notice is hereby given that The Norwegian State and Municipal Power Consortium, Sira-Kvina Kraftelskap intends to and will redeem for SINKING FUND PURPOSES on February 15, 1981, pursuant to the provisions of the bonds, the following bonds as indicated, of the above-mentioned issue, as 100% of principal amount plus accrued interest to the redemption date, namely:

8	885	1287	1908	2683	3203	3649	4158	5283	6108	6805	6918	7356	7750	8179	8539
27	702	1211	1842	2679	3287	3654	4169	5319	6122	6818	6931	7369	7763	8192	8552
61	728	1238	1874	2715	3324	3691	4206	5356	6159	6855	6968	7406	7800	8229	8589
123	776	1286	1921	2762	3371	3738	4253	5403	6206	6902	7015	7453	7847	8276	8636
144	808	1318	1953	2794	3403	3770	4285	5435	6238	6934	7047	7485	7879	8308	8668
182	836	1346	2021	2862	3471	3838	4353	5503	6306	7002	7115	7553	7947	8376	8736
187	869	1379	2090	2931	3540	3907	4422	5572	6375	7071	7184	7622	8016	8445	8805
201	881	1408	2119	2960	3569	3936	4451	5601	6404	7100	7213	7651	8045	8474	8834
209	905	1438	2149	2990	3599	3966	4481	5631	6434	7130	7243	7681	8075	8504	8864
226	918	1469	2179	3020	3629	3996	4511	5661	6464	7160	7273	7711	8105	8534	8894
312	942	1492	2202	3043	3652	4019	4541	5684	6487	7183	7296	7734	8128	8557	8917
327	958	1514	2225	3066	3675	4042	4564	5707	6510	7206	7319	7757	8151	8580	8940
374	981	1538	2249	3090	3699	4066	4588	5731	6534	7229	7342	7780	8174	8603	8963
377	996	1562	2273	3114	3723	4090	4612	5755	6558	7253	7366	7804	8198	8627	9007
401	1011	1587	2298	3139	3748	4115	4637	5780	6583	7278	7391	7829	8223	8652	9017
425	1026	1612	2323	3164	3773	4140	4662	5805	6608	7303	7416	7841	8235	8664	9042
432	1038	1633	2344	3185	3794	4161	4683	5826	6629	7324	7437	7862	8256	8685	9063
462	1053	1658	2369	3210	3819	4186	4708	5851	6654	7349	7462	7887	8281	8710	9088
486	1068	1683	2394	3235	3844	4211	4733	5876	6679	7374	7487	7912	8306	8735	9113
505	1083	1708	2419	3260	3869	4236	4758	5901	6704	7399	7512	7937	8331	8760	9138
523	1098	1733	2444	3285	3894	4261	4783	5926	6729	7424	7537	7962	8356	8785	9163
548	1113	1758	2469	3310	3919	4286	4808	5951	6754	7449	7562	7987	8381	8810	9188
568	1128	1783	2494	3335	3944	4311	4833	5976	6779	7474	7587	8012	8406	8835	9213
584	1143	1808	2519	3360	3969	4336	4858	5999	6804	7499	7612	8037	8431	8860	9238
588	1148	1813	2524	3365	3974	4341	4863	6004	6809	7504	7617	8042	8436	8865	9243
592	1152	1817	2528	3369	3978	4345	4867	6008	6813	7508	7621	8046	8440	8869	9247
596	1156	1821	2532	3373	3982	4349	4871	6012	6817	7512	7625	8050	8444	8873	9251
598	1158	1823	2534	3375	3984	4351	4873	6014	6819	7514	7627	8052	8446	8875	9253
599	1159	1824	2535	3376	3985	4352	4874	6015	6820	7515	7628	8053	8447	8876	9254

Bonds to be so redeemed, will become due and payable and will be paid in such coin or currency of the United States of America as at the time of payment is legal tender

Companies
and Markets

INTL. COMPANIES & FINANCE

Sharp recovery in net earnings at Nedlloyd

BY CHARLES BATCHELOR IN AMSTERDAM

NEDLLOYD, THE Dutch shipping company which plans to merge with the KNSM shipping line, has almost doubled its 1980 profits compared with the F1 64.1m (\$30m) achieved for 1979.

The second half of 1980 has produced profits higher than the F1 52.4m of the first six months, the company says. However, the exact result for the year will depend partly on the company's performance in December, which can only be "roughly assessed" at the moment.

Nedlloyd expects to publish the formal offer for KNSM on or around January 22. It plans

to offer one share and F1 110 in cash for every two shares of KNSM in a bid worth around F1 37m.

Net profit at Oce-van-der Grinten, the Dutch copier group, fell last year despite an increase in sales. Operating profit increased slightly but high interest charges reduced the results at the net level.

Net profit fell 12 per cent to about F1 37.5m (\$17m) according to preliminary figures while turnover was 10 per cent higher at F1 1.43bn.

The growth in sales slowed slightly during the final quarter

of 1980 because of the weakness of some markets. The company remains confident of prospects, however. There has been favourable customer reaction to new machines and other products introduced last year.

Oce was able to fully offset the reorganisation expenses of its UK subsidiary, Ozalid, acquired in 1977, by a reduction in tax.

The results represent a slight worsening of the company's position compared with the October forecasts, when it forecast the decline in net profits limited to 10 per cent.

Japan to extend yen bond guarantees

By Richard C. Hanson in Tokyo

THE JAPANESE Ministry of Finance is recommending that Japan Air Lines and The Electric Power Development Corporation, both semi-government owned, be allowed to issue yen denominated bonds overseas with a government guarantee.

Approval will be sought in next year's budget, on which the Diet (Parliament) shortly begins debate. Until now, the two companies were allowed guarantees only on foreign currency denominated issues overseas. The Government is expected to increase the ceiling on such guarantees next year from Y160bn to Y190bn. The main purpose of the move is to allow the companies which are subject to a special law to diversify their fund raising activities. Initially, it is thought that yen bonds will be issued in the form of private placements, perhaps with Arab oil producing countries.

In addition, the finance ministry will, for the first time, allow institutions such as Nippon Telegraph and Telephone (NTT), the monopoly telephone company and the governmental Japan Development Bank, as well as the City of Kobe, to issue "yen linked" bonds overseas with guarantees. Yen linked bonds were introduced last year by private companies. They tie the value of a foreign currency denominated bond issue and payments to the yen.

Bank of Japan raises foreign currency ratio

By Our Tokyo Correspondent

THE BANK of Japan, as expected, has decided to raise its reserve requirements on foreign currency deposits held by commercial banks, with effect from February 1, bringing them more in line with reserve ratios on yen deposits. The authorities are increasing the reserve ratio of foreign currency deposits from the present 0.25 per cent to 0.5 per cent for time deposits, and to 1.25 per cent on other deposits.

Honda to lift car output 15%

BY OUR FINANCIAL STAFF

HONDA MOTOR Company expects to step up car sales at home and overseas by 15.3 per cent this year to a total of 1.08m units.

On the domestic market, Honda hopes for sales reaching 320,000 cars, an increase of 18.1 per cent from the previous year, and a lower rise—14.1 per cent—on the export market with a target of 760,000 cars.

Overseas, the company is expecting exports to increase slightly in all areas, but the U.S. and Europe will remain its largest markets.

This year, Honda is also aiming for an increase in motor-cycle sales from last year's total of slightly more than 3m, and is planning to increase production facilities overseas.

At present, Honda has 28 assembly plants in 27 countries for motor cycle output. In a separate announcement, Honda said it would acquire a 30 per cent stake in Oriental Assemblies of Johore, Malaysia, formerly General Motors Malaysia, for about Y300m (\$1.38m), subject to approval by the Malaysian Government.

Yamaha Motor Company, Japan's largest motor cycle manufacturer after Honda, also plans to expand its overseas motor cycle production. It said that it will shortly set up a joint venture company, Aztra, in Mexico with Grupo Industrial Alfa to make about 100,000 motor cycles a year. Aztra, capitalised at \$200,000, will be 49 per cent owned by Yamaha. Yamaha is also negotiating to form joint venture companies in Spain and Nigeria to make its motor cycles.

Africa Israel profits advance

By Our Financial Staff

AFRICA ISRAEL Investments, one of Israel's oldest and largest investment companies, lifted consolidated net profit to Sh 11.23m (\$1.48m) in the half-year to September from Sh 3m for the same period of 1979. Profit for all 1979-80 was Sh 10.72m.

During the six months the company completed 5,300 square metres of industrial premises intended for leasing, and started work on another 6,000 square metres.

It is to step up home construction in the coming year and is also participating in construction of the new Negev airfield.

BP aids UAE switch to state petrol stations

BY MARY FRINGS IN SAHRAH

BRITISH PETROLEUM, Caltex, and Shell are to continue to operate in the United Arab Emirates, after the takeover of 150 petrol stations by the state-run Emirates General Petroleum Corporation (EGPC).

The three international companies will no longer be involved in local marketing of petroleum products, but will handle aviation fuel, lubricants and international sales. It was thought earlier that BP would be awarded a management contract for the US\$210m Federal Petroleum Corporation, established late last year, but this has proved not to be the case.

BP provided help in the changeover period, its offices have become the headquarters of EGPC and a number of personnel from BP, as well as from Caltex and Shell, are now working for the new corporation. All, however, are directly employed.

Petrol distribution in the Emirates became a controversial subject last year, with widespread criticism of price rises, which was countered by oil company protest that local marketing was becoming unprofitable. As a result, the Federal Government stepped in to announce a takeover of the sales network.

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22nd DECEMBER, 1980

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22nd DECEMBER, 1980

CURRENCIES, MONEY and GOLD

Dollar eases

Dollar was weaker in currency markets yesterday, reflecting an easing in Euro-dollar rates, and a slight fall in the U.S. economy, indicated in the latest retail sales figures, which showed a fall of 1.3 per cent in December from November. With the U.S. economy showing signs of slowing down, the market may well be expecting some easing in monetary policy and interest rates. Progress in the hostages situation gave the U.S. unit a brief uplift, but was not really a major market factor.

Sterling was slightly firmer overall against European currencies, and improved in dollar terms. There was little in the way of fresh factors to influence trading however.

European currencies were mostly firmer against the dollar. The Italian Lira remained the weakest currency within the European Monetary System with the latest common unit figures showing a rise of 1.3 per cent in December to give a year on year rise of 21.1 per cent. The French franc was again the most improved currency within the system.

STERLING — trade weighted index (Bank of England calculation) fell from 87.0 to 86.8. The dollar finished close to its best level of the day, but still showed a less from Tuesday's closing levels.

EMS EUROPEAN CURRENCY UNIT RATES

ECU central rates	Jan. 14	Jan. 13	% change	% change	% change
Belgian franc	35.7897	35.4271	+4.12	+1.13	+1.83
Dutch guilder	7.2338	7.1951	+2.50	+0.49	+1.84
French franc	2.0228	2.0171	+2.72	+0.28	+1.12
German mark	5.54700	5.53522	+2.10	+0.21	+1.357
Italian Lira	2.17827	2.16821	+1.99	+0.20	+1.812
Spanish peseta	166.639	166.028	+3.19	+0.20	+1.588
Swiss franc	2.20370	2.19778	+2.78	+0.28	+1.408

Changes are for ECU, therefore positive change denotes a weaker currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

Jan. 14	Pound Sterling	U.S. Dollar	Deutschmark	Japanese Yen	French Franc	Swiss Franc	Dutch Guilder	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1	2.397	4.780	487.0	11.06	4.335	5.195	227.1	2.852	76.75
U.S. Dollar	0.417	1	1.994	205.2	4.614	1.809	2.187	947.2	1.190	52.02
Deutschmark	0.209	0.501	1	101.9	2.314	0.807	1.087	475.0	0.597	16.06
Japanese Yen	2.063	4.982	9.918	1	22.71	8.901	10.67	466.2	5.955	157.6
French Franc	0.0904	2.167	4.322	440.3	1	5.220	1	2055.	2.578	69.89
Swiss Franc	0.231	0.563	1.138	112.3	2.561	1	1.198	523.5	0.658	17.70
Dutch Guilder	0.192	0.461	0.980	95.74	2.139	0.854	1	437.1	0.549	14.77
Italian Lira	0.440	1.058	2.106	214.5	4.871	1.909	2.288	1	1.256	53.80
Canadian Dollar	0.261	0.641	1.376	170.8	5.979	1.590	1.992	796.5	1	26.92
Belgian Franc	1.203	3.123	6.222	634.5	14.41	5.648	6.768	2958.	2.715	100.

FINANCIAL TIMES SURVEY

Thursday January 15 1981

Nordic Banking and Finance

In the Nordic countries—including even Norway, with its North Sea oil wealth—the realities of high energy costs, growing payments problems and high world interest rates are putting pressure on their hitherto closely regulated financial systems. Some change of attitude seems inevitable if they are to achieve their avowed aim of industrial revival.

World pressures may force changes

By William Dullforce
Nordic Correspondent

THE STRONGEST influence on the Nordic financial markets continues to be efforts by Governments to adjust their countries' economies to the realities of higher energy prices. This is as true of oil-producing Norway as it is of the heavy oil importers—Denmark, Sweden and Finland.

The impact is not entirely detrimental, although bankers' complaints about inadequate profits and the harmful effect of inflation on their balance sheets might suggest so. The politicians' growing awareness of the need for re-allocation of financial resources has prompted them to loosen some of their tethers on banks and investors.

The Nordic Socialists' preference for low interest charges has already had to give way to the pressure of higher international interest rates but the free marketeers have not been able to dismantle the many State institutions offering subsidised credit. Governments, including the non-Socialist coalition in Stockholm, are only slowly bringing themselves to relax the tax constraints on the

stock markets, for instance.

The outward sign of the pressures for change in the Nordic economies and financial markets is to be found in their current account deficits. Sweden, Denmark and Finland will together have run a deficit of around \$10bn last year and have a combined gross foreign borrowing requirement of some \$13bn-14bn.

The deficits amount to between 4 and 5.5 per cent of national Gross Domestic Product (GDP). In comparison with the size of their economies and of their trade the Nordic countries are among the heaviest foreign borrowers in the group of industrialised countries in the OECD.

Because of the large amount of recycled funds available on the international financial markets none of them has had any real trouble in financing its requirements. But in both Denmark and Sweden the authorities are now giving priority to reducing their deficits.

Denmark has been running a deficit for almost a quarter of a century and it now contains a large element of interest payments. Sweden is a relatively new net borrower of foreign capital but its debt has been accelerating fast. For each of the present estimates show an increase rather than a decline in current account deficits in 1981.

In both, too, budget deficits and their financing exercise powerful constraints on the domestic money markets. In Denmark the deficit on the current, investment and lending budget is scheduled to rise from Dkr 12.3bn last year to Dkr 16.3bn in 1981. But if the capital budget is added the Government's gross borrowing requirement will have been about Dkr 28bn last year and

reach almost Dkr 50bn this year. This is approaching 15 per cent of GDP.

In Sweden the 1980 budget deficit will have been over SKr 50bn, corresponding to 11 per cent of GDP. The governing non-Socialist coalition rather belatedly agreed last autumn on cuts in public spending designed to reduce the 1981-82 deficit by one per cent. A month later unconfirmed reports indicated that instead the deficit could be expected to accelerate to over SKr 60bn.

Fastest

Finland has recorded the fastest economic growth not only in the Nordic bloc but in Western Europe during the past two years, with annual rises of around 7 per cent in total output. Its terms of trade have been worsening, however, and the current account deficit is widening again.

In the Bank of Finland, however, emphasis is put on combating inflation and there is less alarm than in Denmark or Sweden about the foreign payments situation, which is not regarded as being structural in nature.

In Sweden the 12-month rate of inflation reached 15.7 per cent in October. With the fall in the British rate this left Sweden second to Italy in the unenviable top-of-the-table position for inflation among the industrialised countries. The rise in consumer prices over last year will probably have been in the 13 to 14 per cent bracket but with the Government curbing food subsidies the index can be expected to shoot ahead again this month.

The Nordic inflation contributes to the rise in interest rates to historically high levels. This is not displeasing to

bankers and open market proponents who have argued in favour of freer rates and it is true that central banks have felt compelled to loosen their controls on credit rates to some extent.

On the other hand, the combination of government deficit financing and inflation is at least one inhibiting factor on the industrial re-generation which all the Nordic countries are seeking. Financial directors of Swedish companies find it more profitable to lend their spare cash to the banks at 14 per cent than to borrow and invest for a return they can expect to be lower, while in Denmark business cannot compete with the 20 per cent yield on bonds.

Norway, an exception in so many ways because of its North Sea oil, has had to adjust to higher interest rates and, as predicted, after the 15-month price and wage freeze it imposed until the end of 1979 its Labour Government has not been able to contain the subsequent surge in consumer prices.

Current account figures show where Norway really is odd man out. In 1980 the Norwegian account moved into surplus, the oil price increases contributing to an income from oil and gas of around \$8bn, equal to about a third of the country's total exports.

But "mainland" Norway—the national accounts without oil and shipping—will show a deficit on trade and services of more than \$7bn for last year, and despite the growing doubts among Norwegian economists that the mainland economy can be sealed off from the effects of offshore petroleum developments, the Labour Government has not yet reconciled itself to a decline in the country's traditional industries.

In this it joins the other

Nordic governments which are now seeking in industrial renewal both a solution to their countries' current economic problems and the key to future prosperity.

Sweden's public sector spending, including the so-called transfers, accounts for over 60 per cent of GDP. By contrast, in Finland the ratio of public spending has been reduced from 41 per cent of GDP in 1977 to around 38 per cent currently.

The problem for the non-Socialist government in Sweden, as for the Labour Party regimes in Denmark and Norway, is how to prepare the political ground for industrial recovery. There is a fair degree of consensus about the prerequisites in all four countries but it is still not clear how far the changes—largely in taxation and in the functioning of the financial market—will be politically acceptable.

Traditionally

It is generally agreed, for instance, that corporate earnings throughout the area are too low—even in Denmark, whose efficient small businesses have traditionally had high earnings ratios. Few Nordic trades unions would now dispute that industry needs to generate larger profits if it is to expand.

There also exists a narrower but nevertheless fairly widespread understanding that the equity bases of manufacturing concerns are too small if boards and managements are to risk experiments with new products and projects.

In Sweden the Conservative-Centre-Liberal coalition has legislated a tax break for investors in shares which would allow them to deduct 30 per

cent of their dividend income from their income tax. Typically, it reached this concession after considerable procrastination and in fear of trade union reaction.

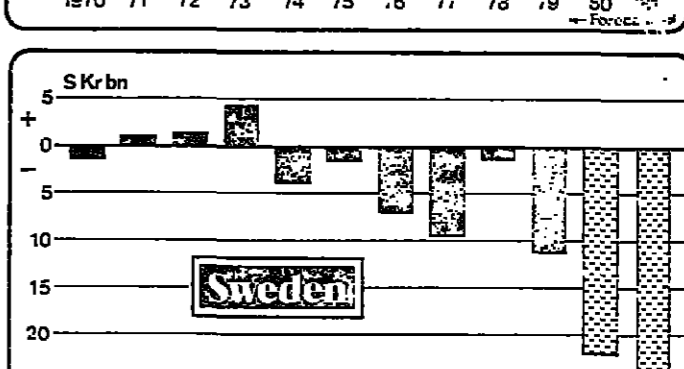
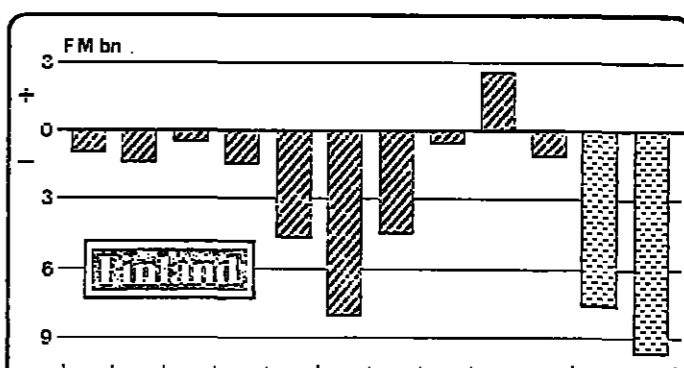
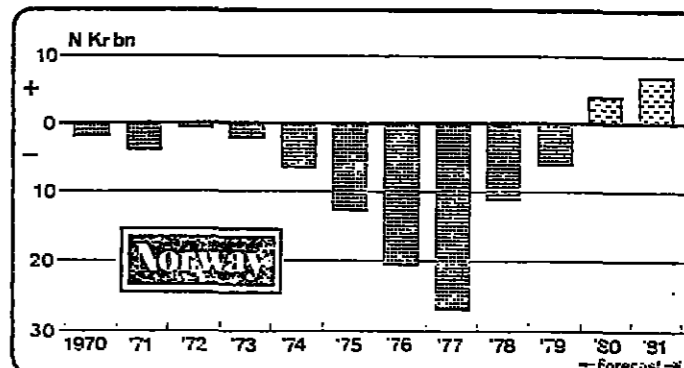
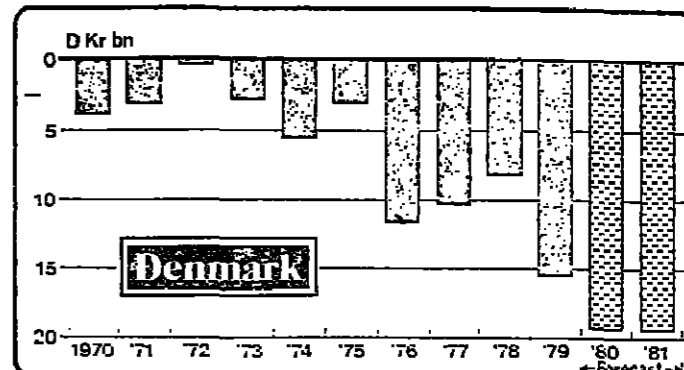
The Government's short-term aim is wage restraint. It hopes the unions will moderate their claims in the 1981 pay negotiations and accept rises small enough to maintain or even improve the relative production costs of Swedish industry.

The unions are scarcely amenable. The blue-collar workers' federation has already posted a demand for an average pay rise of 10 per cent, which employers calculate would entail an increase of 15 to 16 per cent in their overall labour costs. Neither side wants a repeat of last spring's national strikes and lockouts, which have now been shown to have seriously undermined the country's export performance. But a tough confrontation seems to be inevitable.

The Swedish example is not unique. In Denmark Mr. Anker Jørgensen's Social Democrat Government has promised to ease the double taxation on shares and capital gains tax. It apparently has union consent for these moves but the Labour Federation has been pressing for a compensatory extension of economic democracy.

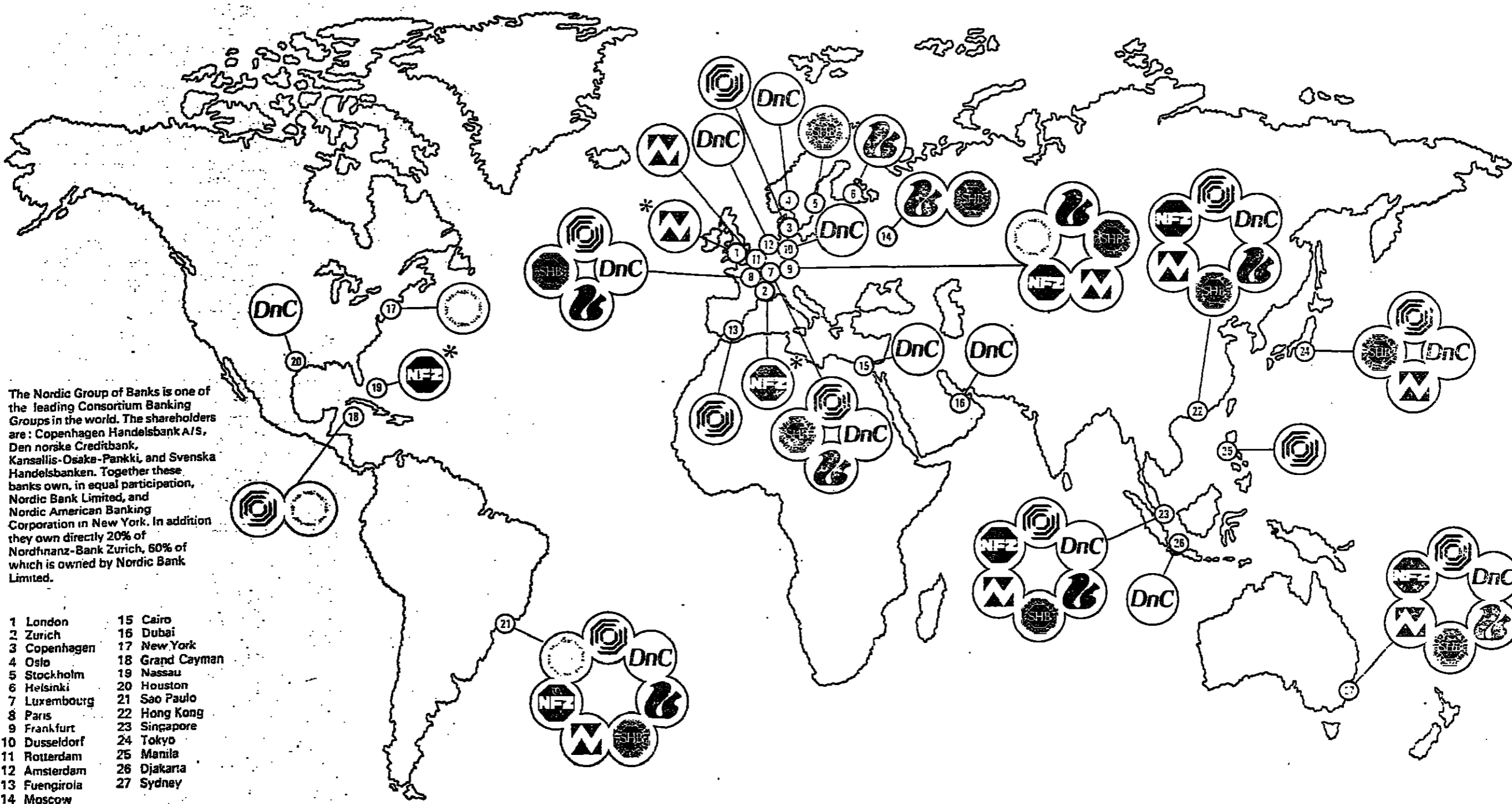
Throughout the Nordic area the gap between savings and investment revealed in the current account deficit has spotlighted the financial shackles on industries which are being called upon to expand output and exports and to curb these deficits. That financial resuscitation is required is not disputed but the methods of applying it are still a matter of political contention.

CURRENT ACCOUNT BALANCES



Sources: Economics departments of Copenhagen Handelsbank, Den norske Creditbank, Kansallis-Osake-Pankki and Svenska Handelsbanken.

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NORDIC BANKING AND FINANCE II



Mr. Kaare Dullum



Mr. Jarl Engblom



Mr. Jan Eveland



Mr. Ragnar Halvorsen



Mr. John Arthur Hansen

This and the following page carries interviews by William Dullforce with the financial executives of seven leading Nordic companies—all privately owned. The subject is industrial expansion, and the consensus opinion is that the money can be found—given the ability to earn adequate profits and return on shareholdings. There is also an awareness of the facilities offered by borrowing abroad.

The industrial borrower

Kaare Dullum Novo Industri

NOVO INDUSTRI A/S, the pharmaceutical manufacturer, is the most recent success story in Danish industry of a family concern which has expanded into an internationally recognised company. Its history over the past six years illustrates both how expansion can be achieved and the limits in the Danish capital market which had to be overcome.

Mr. Kaare Dullum, vice-president in charge of corporate finance and the architect of Novo's financial strategy, pinpoints two constraints on its growth—family control and the smallness of the domestic equity market. The first was broken when the company went public in 1974 and the second was circumvented when it made a \$20m convertible bond issue on the Eurobond market in 1978 and obtained a listing for Novo B shares on the London Stock Exchange.

Now half the share capital is held outside Denmark, with about a quarter in the hands of U.S. shareholders. Novo's next move will be a private placement in the U.S. It has capital spending plans amounting to around Dkr 900m over the next three years. Last year it posted pre-tax earnings of Dkr 133m on a Dkr 1.27bn turnover.

Mr. Dullum firmly rejects the idea that there is a lack of finance for the expansion of Danish industry. He puts matters the other way round; industry's demand for finance is too small because it is not earning enough and has no profitable projects to finance.

"Companies are taking decisions on too short a time perspective, because they have no faith in the Government's intentions. The Government needs to formulate a long-term industrial policy, making clear where it envisages the future place of Danish industry to be," Mr. Dullum declares.

He thinks the Government should set about "getting the share market working again, reducing bond issues and stopping the penalising of company stocks." He sees hopeful signs that the Government will reduce the double taxation on share investments.

Novo has had to borrow too much abroad in Mr. Dullum's opinion because of domestic credit restrictions, but it pays a modest 9 per cent on average for its loan capital and Mr. Dullum is satisfied with the way Danish banks arrange its foreign borrowing.

Jarl Engblom

Ahlstrom

MR. JARL ENGBLOM, vice-president in charge of finance at Ahlstrom, the pulp, paper and engineering company, would like to see some foreign banks operating in Helsinki. So far only two have representative offices in the Finnish capital but Mr. Engblom argues that a few foreign banks offering services short of deposit-taking would be a valuable addition to the Finnish banking scene, particularly for medium-sized Finnish companies poised for expansion abroad.

"Finnish banks can provide advice, export/import finance or bridging finance through their associates and often they offer the cheapest terms. But why not give them some competition?" Mr. Engblom asks.

He adds a rider for foreign bankers establishing themselves elsewhere in the Nordic area: "I do not like to have to go to Stockholm or Copenhagen to meet bankers. I want to see them here (in Helsinki) or in a major financial centre."

Otherwise, Mr. Engblom believes, amendments to Finnish tax laws would offer the best encouragement for industrial investment. In particular he thinks the double taxation on income from share investments should be dropped and the wealth tax lowered.

But Mr. Engblom points out, if companies are to make better use of the stock market, their profit levels must be improved. "Self-financing is one of the most important issues in our industrial finance."

Ahlstrom itself does not turn to the stock exchange since it is still a family-owned concern. It aims to fund 25-30 per cent of any major new investment from its own resources, a fairly high ratio by Finnish standards. For the remainder it would put together a package in which foreign loans would make up a substantial part.

Mr. Engblom sees foreign capital as an essential element in the expansion of Finland's industrial base. "There is really not enough money available in this country for big projects and when liquidity is good, it is usually used mostly for non-industrial investment," he says.

Ahlstrom made FM 74m pre-tax profit on a FM 2.14bn turnover in 1979. Its capital spending over the five years to the end of 1980 will have been over FM 1.5bn, of which FM 350m will have been spent last year. But Ahlstrom's philosophy is to invest during the downturn, so in 1981 Mr. Engblom expects to be thinking about his next big investment.

Jan Eveland

Swedish Match

THE ATTITUDE of Mr. Jan Eveland, vice-president for finance at Swedish Match, supports the banks' argument that it is lack of demand for expansion capital which is holding down industrial investment in Sweden rather than the unwillingness to take risks with which the Minister of Industry, Mr. Nils-Axelsson, has charged the banks.

Swedish Match invested some SKr 120m (\$28m) a year on average in its Swedish plants during the five years to the end of 1979. It was all financed from cash flow. The group's Swedish factories, mostly manufacturing building and packaging materials, provided just over half of its SKr 5.9bn turnover in 1979.

"We only need the banks for day-to-day transactions, as we have been rather liquid over the past five years," Mr. Eveland explains. This is partly due to the group re-organisation, which has set up holding companies in all the major countries where it operates.

For a company looking for loan capital to expand it would be better to go for short-term finance in the first place, Mr.

Eveland argues, because bond rates are rather high at present. There is also the inhibition that the Riksbank (central bank) requires a company to have placed 80 per cent of its liquid assets in the banking system before it is allowed to make a bond issue.

Swedish Match is "rather disappointed with the stock market" and would not go to the Stockholm Exchange for money because it is not active enough. It would in any case not be the right time for Swedish Match to go to the stock market.

Its shares are listed on several foreign exchanges but in common with many other Swedish companies it finds that most of them have returned to Sweden. Mr. Eveland looks to the Government for changes in the tax laws to reactivate the Stockholm stock market. He launches the idea that companies looking for long-term capital might look at warrant offers, a device which has not so far been used in Sweden.

Mr. Eveland considers that a company of Swedish Match's standing would have no difficulty in obtaining the finance it needed from the Swedish banking system, should it decide to invest in expansion, but he does not reject the idea that Mr. Axelsson could be right about the banks' reluctance to supply risk capital for smaller businesses.

Ragnar Halvorsen

Dyno Industrier

MR. RAGNAR HALVORSEN, deputy managing director of Dyno Industrier, the plastics, chemicals and explosives group, is also chairman of the taxation committee set up by the Norwegian Federation of Industries. Not surprisingly, therefore, he advocates changes in corporate taxation and in stock investments as ways of stimulating companies to expand.

Specifically, he wants the rules changed so that industrial concerns can build up tax-free reserves on their balance sheets in line with the methods used in other countries. Norwegian companies have traditionally been under-capitalised and this is a disadvantage when they need to turn to foreign markets for funds for expansion.

Dyno itself puts its capital needs over the next three years at Nkr 700m (\$137m), of which it will be able to finance half from cash flow. But it plans for the landing of gas from the Statfjord field in Norway mature

and it becomes involved in projects for a domestic methanol plant and for the expansion of its present methanol plant in Holland, it will need to raise more capital.

This must include a strengthening of its equity, which is now roughly 24 per cent of assets and does not give the scope for heavy new investments. For this reason Mr. Halvorsen would be glad to see some relief from the Government on capital gains tax so as to encourage both private investors and companies to make greater use of the Oslo stock market.

He is convinced that there is a big untapped reservoir for equity finance among private Norwegian investors but that it needs some tax relief to release it. Mr. Halvorsen also recognises that any such encouragement from the side of the authorities would also be a challenge to the companies themselves which "would have to start paying

decent dividends."

Dyno has paid on average one-third of its pre-tax earnings to shareholders and has so far had no problems in raising new share capital. But like most other Norwegian companies it has made rights issues at par, which has been considered a remunerative way of raising new equity.

The Norwegian capital market functions poorly in providing long-term funds for Norwegian industry, in Mr. Halvorsen's view, because of the tight control exercised by the authorities. On the other hand, he is not totally critical of the role played by the State banks.

Their fixed-rate long-term lending at relatively cheap interest rates has, he believes, acted as a safety valve but with the disadvantage to the companies that they have sometimes been "steered" into investments they would not normally have made.

John Arthur Hansen

East Asiatic Company

JOHN ARTHUR HANSEN, managing director in charge of finance in the East Asiatic Company, has no doubt that Denmark can maintain and expand a competitive industry—provided companies are given tax reductions.

"The only way to overcome our problems and to improve conditions for industry is to raise returns on investment, which means revising the tax system," Mr. Hansen states. He suggests that corporate tax and the top income tax rate be equalised somewhere between the current 40 per cent (corporate) and 75 per cent (income) and that the double taxation on investment in shares be abolished.

In his view Denmark possesses

a substantial capital market but industry must be able to offer a return which competes with 20-year investments at a coupon of 10 per cent and an effective yield of 20 per cent. "It is up to the Government. They issue the bonds which give such returns and draw funds away from industry," says Mr. Hansen.

East Asiatic runs a worldwide trading and industrial operation with an annual turnover of more than Dkr 20bn (\$3.6bn), covering over 170 companies and branches, of which 140 are based outside Denmark.

The 15 to 20 per cent of the business conducted in Denmark includes shipbuilding and food processing. In 1979 East Asiatic turned in group pre-tax earnings of Dkr 450m and the parent company paid a divi-

dend of 10 per cent, equal to Dkr 76.5m.

Its Danish industrial operations are wholly-owned and are financed from cash flow and banking facilities. Mr. Hansen would like them to have better gearing, with a ratio of equity to debt of 1.3—or at least 1.4. "But we cannot get that today unless we can generate bigger profits and obtain lower taxes."

East Asiatic has steadily expanded its share capital to Dkr 650m through bonus and rights issues but in Mr. Hansen's opinion for the healthy development of Danish industry as a whole it "must become politically feasible" to revitalise the stock market so that industry can have access to funds at rates which will allow it to make a profit.

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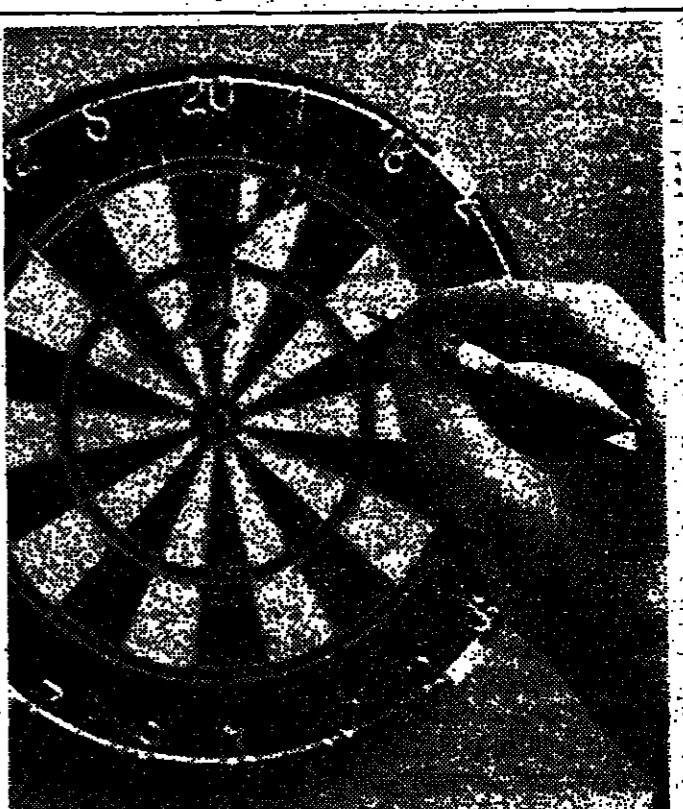
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NORDIC INVESTMENT BANK

WILLIAM DUFFLOR

WHEN THE Nordic Investment Bank (NIB) was formed in 1976, it was widely regarded as a political creation. Danish and Norwegian bankers were particularly critical, arguing that NIB would not offer a service not already available in the national banking systems and might steal business from foreign capital markets from the existing banks.

Many of its proponents certainly saw it in political terms as a catalyst of greater Nordic co-operation but they also contended that, with their countries starting to run large foreign deficits as a result of the oil price crisis, NIB could help to meet an urgent need for outside capital to maintain investment and growth. Support for the new bank came from those businessmen who saw that as a source for medium- and long-term finance it could provide greater flexibility in adjusting the repayments on project finance to earning capacity than would loans placed directly in the market.

Four years later and with loans granted approaching 400m Special Drawing Rights (SDRs) or some \$530m, NIB has not exactly confounded all its critics. Scepticism still prevails among Copenhagen bankers. But it has won the confidence of many other private bankers and it has certainly proved its usefulness to enterprises which can meet its criterion that an investment project or trade transaction should benefit at least two of the five Nordic countries.

Expansive

By the end of August last, NIB had granted 72 loans and export credits totalling SDR 372m, of which eight amounting to SDR 114m had gone to energy investments. The total amount granted last year is likely to be some 50 per cent higher than the SDR 101m negotiated in 1979, so that the bank is very much in an expansive phase.

Despite the predominance of energy projects, which made up almost 31 per cent of the total portfolio at the end of August, the bank's activities have a broad spread. More lending, too, appears to be going to small businesses, the average loan during the first eight months of last year being \$5.3m against \$9.2m in the corresponding period of 1979.

The limit for lending to any

one project is 10 per cent of the bank's SDR 400m equity, in practice around \$50m. Unless this rule is amended NIB cannot play a principal role in financing major Nordic projects such as joint energy schemes.

At the other end of the industrial scale small businesses seldom seek the foreign currency loans of the kind NIB can provide. Moreover, NIB is not allowed to take the currency risks for its borrowers—another reason for small businesses to turn first to local sources of finance.

For the medium-sized company, however, NIB offers an interesting new source of long-term capital for expansion. Even if it is not yet a major capital purveyor to Nordic industry, a bank with a new lending capacity of \$200m-\$250m a year is not a negligible contributor.

The strategy adopted by Mr. Bert Lindstrom, the managing director, during the first four years has been conservative in banking terms and politically circumspect. This approach appears to have been successful in that NIB has both managed to establish itself as a prime borrower on international markets and is well on the way to overcoming the distrust of the Nordic commercial banks whose co-operation it needs to have.

Mr. Erik Rindal, the deputy managing director in charge of investment loans, estimates that the commercial banks have brought to NIB more than half the projects in which it has become involved. In Denmark, where opposition to NIB was originally strongest, all financing of projects has been arranged through local banks.

NIB now has a staff of 35 at its Helsinki headquarters and cannot be accused of creating a large new bureaucracy. The staff has devoted much effort to marketing NIB, explaining carefully to banks and potential customers the exact nature of the financial services it has to offer.

On the funding side NIB has so far raised the equivalent of SDR 135m or \$244m in loans in 10 different countries. Most have been bonds, a couple of them bank loans and there have been three private placements, including a dollar issue which was placed exclusively in the Far East through a Japanese bank.

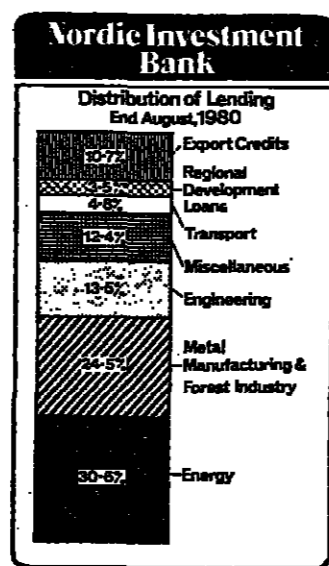
NIB is now preparing to move into the American market. It began issuing commercial paper in September, having received a top credit rating from Moody's and Standard and Poors. It regards this listing as opening the door to the long-term U.S. market.

Earlier last year NIB was designated by the International Monetary Fund (IMF) as an

"other holder" of SDRs as part of the IMF's move to popularise their use. NIB believes this new status can be significant for its future fund-raising.

Because it cannot take exchange risks NIB has to borrow, as far as it can, in the same currencies in which it makes its long-term fixed-interest loans. Its overriding aim, in the words of Mr. Peter Modeen, the deputy managing director in charge of finance, is "to get money into the [Nordic] region as favourably as possible."

To give the bank flexibility to borrow when the market is favourable, he has developed a policy of trying to keep liquidity related to NIB's anticipated disbursements for a few months



ahead. By the end of November the bank had been eating up its liquidity for some time and Mr. Modeen was looking for more loans.

In 1979 NIB showed income in excess of expenditure of almost \$12m and in the first eight months of last year revenue exceeded spending by nearly \$11m, ahead by \$3.4m against the corresponding period of 1979.

Three-quarters of the NIB loans granted up to the end of 1979 went to help finance expansion of production or marketing capacity. The bulk of the remainder went to restructuring or investment in development projects.

A breakdown into branches shows that, after energy projects, metal manufacturing and the forest industries were the largest recipients, with close to 25 per cent of the bank's lending. Engineering companies had received only 13.5 per cent but Mr. Rindal believes that this branch and those companies classified under "miscellaneous" may show the fastest growth in future.

A glance at some of the loans advanced indicates that NIB is effectively fulfilling its allotted role of purveying complementary finance—the fixed-rate long-term lending which the commercial banks do not offer. The average term of the loans is about nine years with a range from six to 15 years; several run to 10-12 years.

A typical NIB loan is the SDR 9.2m fixed-rate advance made to Follum Fabrikker of Norway in 1979 to help finance its newsprint expansion with the installation of new machinery supplied by Finland's Valmet. The total cost of this project was Nkr 435m.

Follum put in Nkr 35m in equity and expected to find Nkr 150m from cash flow. It obtained two multi-currency loans at floating rates, adding up to Nkr 150m, co-managed by Den norske Creditbanken's Luxembourg subsidiary, and planned to float a Nkr 50m bond issue on the Norwegian market. NIB's loan, equivalent to Nkr 60m, rounded off the package.

New project

NIB's biggest loan so far is the Nkr 200m it advanced to Icelandic Alloys for the construction of a new ferro-silicon plant in Iceland. Icelandic Alloys is jointly owned by the Icelandic State and Elkem Spigerverket of Norway and thus qualified as a Nordic project.

The 15-year loan from NIB made up 40 per cent of the total investment and completed the financing package. It is probably true to say that the project would not have got off the ground without NIB. The two owners put in Nkr 132m. A short-term credit equivalent to Nkr 30m was provided by an international consortium organised by Den norske Creditbanken and Nkr 125m was obtained in suppliers' credits.

Inevitably, the geographical distribution of NIB's loans is carefully scrutinised by national politicians but the most common reaction is one of pride that 12 per cent of the bank's lending up to the end of August had gone to Iceland compared with Iceland's 1 per cent contribution to the bank's capital stock.

Sweden contributes 45 per cent of the authorised capital stock of SDR 400m, of which SDR 100m has been paid in, and has so far received 30 per cent of the loans by value. The other countries' proportions (with their share of lending in brackets) are Denmark 22 per cent (14 per cent), Finland 16 per cent (19 per cent) and Norway 16 per cent (25 per cent).

Lars Josephson

KemaNobel

THE FIRST condition for expanding Sweden's industrial base must be a sufficient return on investment for companies; this is the uncompromising view of Mr. Lars Josephson, finance director of KemaNobel, the big Swedish chemicals group.

"The cost of finance is far away from the expected returns. There are few projects which can carry the prime bond rate costs of around 13 per cent," he says.

Nevertheless, KemaNobel was one of the few Swedish companies to announce investment in a new project last year. Unifos Kemi, a joint venture with America's Union Carbide, is building a new plant at Stenungsund to produce 150,000 tonnes a year of low density polyethylene from 1983 onwards.

The project calls for SKr 225m to SKr 250m in external finance over two years. Mr. Josephson expects to raise SKr 125m to SKr 150m domestically through the insurance companies and a bond loan, with the SKr 100m balance coming from foreign suppliers' credits topped up with Euro-currency finance.

The bulk of the new plant's output will be exported and earn

foreign currency, so KemaNobel's strategy in any case would have been to seek a large portion of foreign funding. But Mr. Josephson argues that most Swedish companies planning to invest in expansion projects would have to seek finance abroad anyway.

The Government takes a large share of available domestic finance to meet the Budget deficit and the Riksbank (central bank) controls domestic bond issues. "If companies could anticipate real returns and started to invest, I doubt whether the capital market would be adequate," says Mr. Josephson.

He points out too that many Swedish companies need new equity capital because they have been unable to cope with the increasing impact of debt and inflation on their balance sheets.

KemaNobel expects to reduce its capital spending over the next couple of years, "but we shall not shy away from any good market opportunities." Nevertheless, Mr. Josephson ends on a positive note: "We have enough sound products and ideas to develop. The problem is to increase the cash flow and profits and we believe we can do it."



Mr. Lars Josephson



Mr. Bengt Widing

Bengt Widing Nokia

MR. BENGT WIDING, vice-president in charge of finance at Nokia, would like to see the Finnish capital market developed so that "companies can get the money they need for expansion, if they can pay the price." The present system is too tightly controlled in his view.

Nokia does not generate enough capital itself for expansion. Its first preference would be to borrow in Finland and avoid currency risks but "during the 1970s and even now the domestic funds available have never been enough and we have been compelled to borrow substantially abroad," Mr. Widing explains.

Common concern

His remarks reflect a fairly common concern among the financial directors of Finnish companies about currency risks, which in turn stems from the losses made in the 1970s by several companies whose main export incomes were in dollars but who borrowed abroad in other currencies.

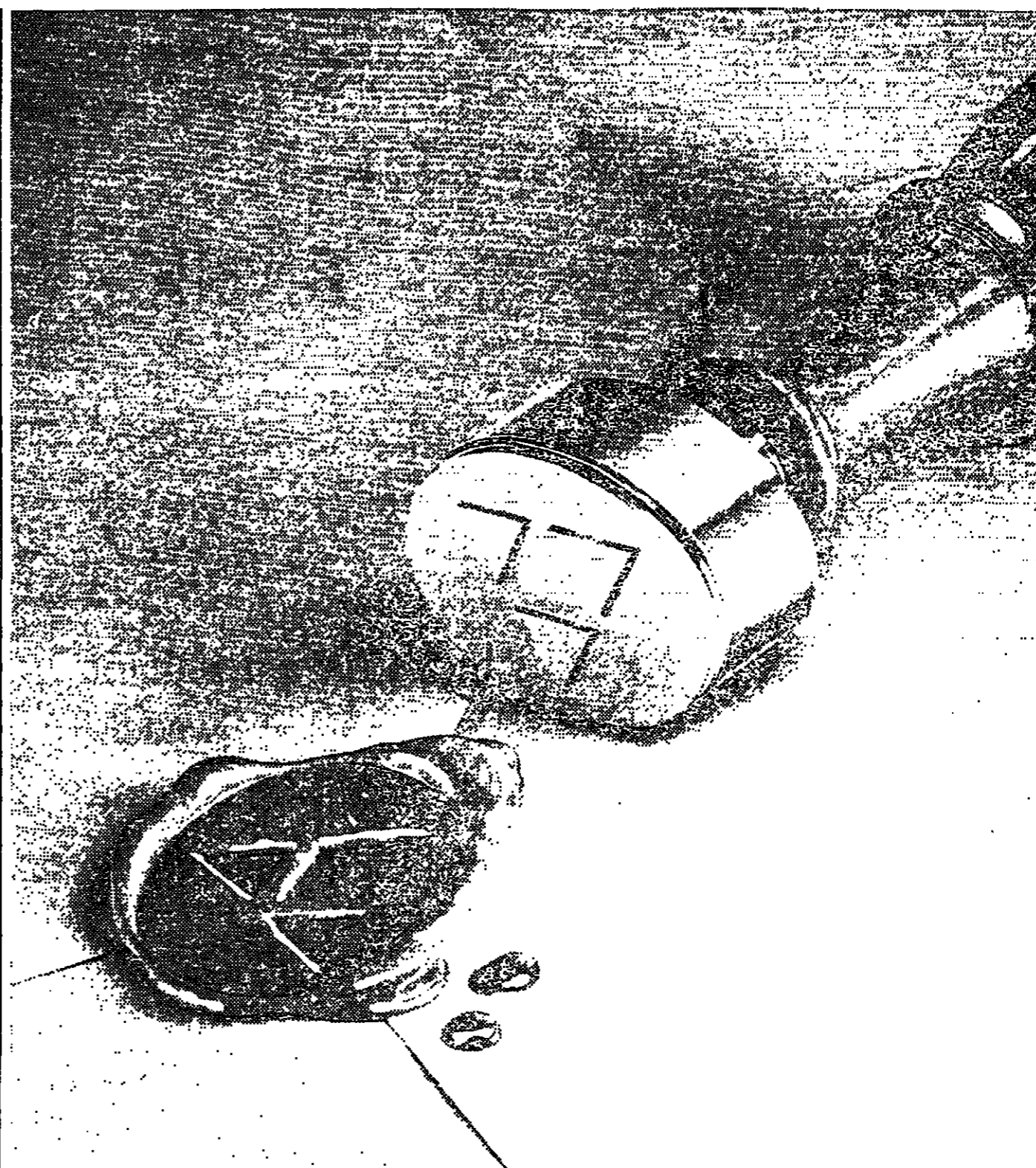
Nokia is one of Finland's largest privately owned industrial concerns, with manufacturing facilities in metals, rubber, pulp and paper and electronics. It showed a pre-tax profit of FM 151m (\$40m) on group sales of FM 2.8bn and paid its shareholders a 10 per

cent dividend in 1979. It budgeted for an increase in turnover to FM 3.1bn-FM 3.2bn last year, with most of the growth coming from export markets. The parent company aimed to invest about FM 250m last year and FM 300m in 1981, which would bring it closer to the investment ratio it operated in the 1960s before the recession of the past decade forced it to trim capital spending.

Nokia has invested in new power facilities which in Mr. Widing's view give it considerable potential for future expansion. Last year it widened its share capital by a one-for-ten bonus issue and a one-for-ten rights issue of preference shares at FM 120 a share (par value FM 100).

Mr. Widing welcomes the new rule which allows investors to deduct FM 1,500 of their income from shares from their taxable income but would like to see an even stronger stimulus to the stock exchange.

The Finnish banks and insurance companies are major shareholders in Finnish companies—they hold 37 per cent of the Nokia stock—and Mr. Widing argues that they could be doing more to finance expansion. Real control, however, rests with the Bank of Finland, which not only grants permits for foreign borrowing but also sets the overall limits for bank lending.



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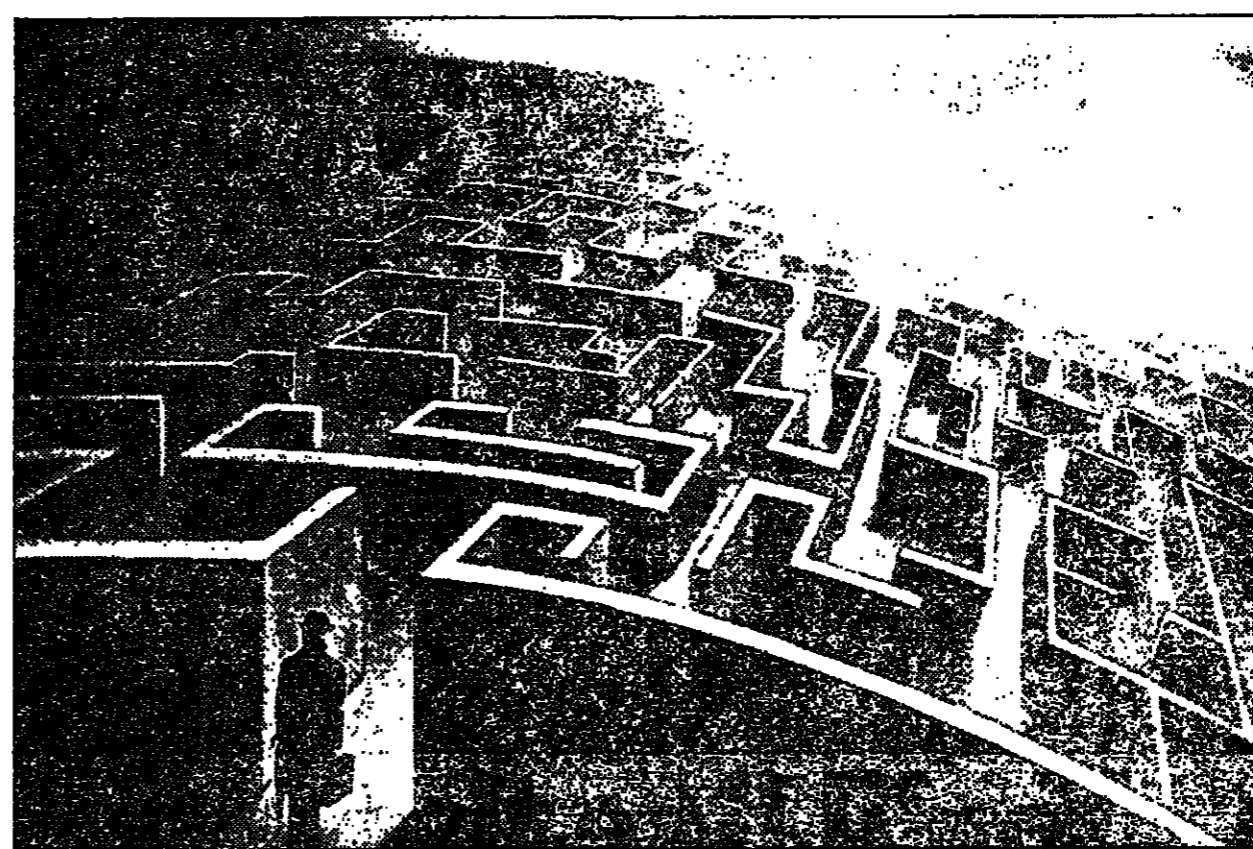
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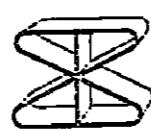
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NORDIC BANKING AND FINANCE IV

Challenge for national capital markets

INDUSTRIAL INVESTMENT

WILLIAM DUFFLORCE

THROUGHOUT THE Nordic area the necessity of expanding the industrial base has become almost a catchphrase over the past few years.

As they all operate mixed economies, attention has focussed on the problems of private industry. Governments are looking for politically acceptable ways of jacking up private industrial investment, but efforts in general have so far been random and haphazard.

The question of whether the existing capital markets and banking systems are geared to finance industrial expansion is rarely asked—nor whether a switch of resources to industry might not be more easily accomplished, or at least encouraged, through a few changes in legislation and monetary controls.

The companies themselves emphasise the need for tax changes which would enable them to earn more and retain a larger share of profits for investment. They would also like to have more vigorous stock markets to which they could turn for new risk capital.

Less mentioned is the role of bank lending, although banks are frequently exhorted to reduce their consumer credit and favour industry. The banks usually claim that, first, there is no real shortage of bank finance for worthwhile industrial projects. Secondly, they argue that it would be much easier for them to give priority to business investments if they were not constrained by official credit rationing to finance Government budget deficits and national programmes.

The Nordic financial markets are by no means uniform despite the preponderance of Social-Democrat philosophies in the area during the past half-century. Some in fact may be better geared to fund an industrial revival.

Finland—Success Story?

This may be true of Finland. Industrial investment there is expected to have increased by at least a third in 1980. The Bank of Finland suspects that the final figures may show an expansion of around 40 per cent.

Finland's investment, like its

exports, is subject to strong fluctuations, although the level of capital spending has long been high. Last year's investment boom has been boosted by the pulp and paper companies' spending on both capacity expansion and modernisation to make up for a low investment level in the late 1970s. Nevertheless, the boom illustrates the ability of the Finnish financial markets to mobilise capital.

A recent study by Mr. Seppo Kostiainen of the economic department of the Bank of Finland reveals from balance sheet data the steady growth in debt finance in Finnish companies, from 55 per cent of total capital in 1961 to 77 per cent in 1978. Within this the share of long-term borrowing has also expanded.

Mr. Kostiainen traces the changes in the companies' debt structure over the 18-year period—which shows a relative decline in bank loans and short-term trade credits offset by a strong growth in foreign long-term borrowing and an increase in the share of the "residual sector," which comprises local authorities, other companies, various financing organisations and short-term foreign credits.

The decline in direct bank lending disguises the powerful role played by the commercial banks in the funding of Finnish industrial investment. This is partly because bank deposits are the main form of household savings and, in contrast to other Nordic countries, interest on deposits in Finland is free of tax.

Even more important is the integration among the banks, the companies and the insurance companies in a closed system orchestrated by the Bank of Finland. Finnish banks can hold up to 20 per cent of a company's share capital and there are few large companies which do not have on their Boards representatives of one of the two big commercial banks and of an insurance company.

Denmark—Reliance on Foreign Loans

For the time being Denmark provides a stark contrast to Finland. The volume of industrial investment is expected to have fallen by 9 to 10 per cent in 1980 and the prospects for 1981 are not bright.

Historically, Danish methods of financing industry differ markedly from the Finnish, with a much stronger emphasis on equity and self-finance. Danish industry has traditionally been based on small businesses, operating on their own capital. Even medium-sized concerns were run with low debt ratios, an equal balance

between equity and debt being regarded as the norm.

For this reason loan finance may be less important in Denmark in motivating industrial expansion, since Danish companies are reluctant to invest without a solid equity base. Its Social-Democrat Government last year dropped a scheme to stimulate pension fund investment in private companies and seems to be coming round to the idea that more general measures are needed to raise earnings and ease taxes.

Otherwise any expansion in Danish industry is likely to have a considerable foreign loan component and Danish banks have long been well organised to raise such loans for their corporate customers. Foreign loans are cheaper and the National Bank has encouraged exporters to borrow abroad so as to help close the foreign payments deficit.

Despite the credit ceiling which the National Bank has been applying since 1970, the Danish financial markets operate with greater freedom than those of the other Nordic countries. Membership of the Common Market also widens the financial scope. The availability of finance is not, therefore, an obstacle to Danish industrial expansion. The trouble lies elsewhere.

Sweden—Banks Rebuff Criticism

Sweden's commercial bankers would express the same sentiments. They were smarting last year under a suggestion from Mr. Nils Aasling, the Industry Minister, that they should play a more active role in financing new industrial projects and should take greater risks with their money. No Swedish company is being prevented from investing in expansion through lack of bank credit, they retort.

Industry's investment performance last year would seem to confirm this assertion. Capital spending will rise by about 15 per cent but will remain well below the level recorded in the first half of the 1970s. Most investment has gone into modernisation and replacement, not expansion.

After two years of profit improvement many companies have plenty of cash but most are taking advantage of the high interest rates on the financial markets to lend rather than to borrow for expansion. Bond rates were partially freed from control last spring, but of the SKr 35.8bn issued in the first nine months of last year only SKr 1.6bn was in industrial bonds.

The Swedish commercial

banks have traditionally been very active in promoting industrial expansion. Nevertheless, the capital market commission, which reported in 1978 could chart considerable changes in the debt structure of Swedish industry over the past quarter century. It found that in the mid-1970s about half of company borrowings came from the unorganised credit market and from pension funds, while within the organised credit market bank lending to industry had declined from 42 per cent in 1968 to 29 per cent in 1978.

The banks' principal riposte to the charge that they have not been doing enough to promote industrial expansion is to refer to the crowding-out effect of their obligatory purchases of housing and State bonds. It has still to be shown that the State budget deficit is curbing industrial credits, since so far there has been no demand from industry which could not be met. If industrial investment did take off, however, this situation could prove to be a bottleneck in the credit system.

Norway—Impact of Oil Revenue

Norway has the most rigorously controlled financial market in the Nordic area. So far the exploitation of the country's North Sea oil resources has been financed largely outside Norway but the impact of the growing revenue is now about to be felt throughout the domestic banking system. There has to be a shake-up.

Norwegian industry grew through extensive import of foreign capital and since World War II its development has been largely determined by Government direction of credit. One effect has been that industry has become accustomed to operate with small equity inputs, relatively cheap credit and a low return on investments.

"Expansion" of Norway's mainland industry is hardly likely under the cost pressures and upward pressure on the Norwegian krona created by the oil operations. Industry must instead concentrate in the first place on product development, improving productivity and marketing.

But the increase in oil revenues offers the possibility of capital exports and of investing in production outside Norway, possibly in joint ventures. This depends in turn on how the Government decides to handle the oil money.

The Norwegian commercial banks have been establishing themselves abroad and marshalling their resources so as to be able to participate in this development.

Credit controls revised

DENMARK

HILARY BARNES

CONTROL OF the Danish banking sector's credit expansion by means of a ceiling on the loan commitments of each commercial bank and savings bank was dropped at the end of last autumn in favour of a system of liquidity control. The former system was introduced as a temporary measure in 1969, and the banks have never ceased to complain about it. Their enthusiasm for the new system, however, is qualified, as they believe that they will continue to stand at a disadvantage in relation to other sectors of the credit market.

But the new system of control has important implications. Exactly what its impact will be is a subject on which the banks are still spending a lot of time and paper. But one thing is clear—it will bring a new spirit of competition to Danish banking.

Under the credit ceiling the customer structure was very rigid. A bigish business customer was not welcome to move to a new bank if dissatisfied with the old because the new bank could not accommodate the customer's needs while credit was so tight a control. Under the new system the efficient banks will stand to gain and the less efficient will have to sustain a loss of business.

The five foreign banks which have set up in Denmark—Chase Manhattan, Citibank, Bank of America, American Express Bank and Standard and Chartered—are among those which believe that the new credit control system will suit them. By offering specialised services related to international financing they have succeeded in the past few years in carving out a substantial slice of business and they consider that, in this field, they are so efficient that the new credit system will enable them to expand again.

It would be misleading to say that there will no longer be a credit ceiling. The central bank

has stated that the total of bank advances between September 30 this year and June 30 next, must not increase by more than 6 per cent. It has also explained that it will not tolerate an unbridled war to attract deposits or an expansion of lending on the basis of deposit growth arising from money market operations, selling of securities or large term-deposits from local government or large corporations.

An increase in deposits must come from the normal customer base, said the central bank, which will penalise any bank found defying the rules. Competition for deposits will also be limited by a semi-voluntary agreement—semi-voluntary because it was made against a background of interest rate pressure which since March 1979 has placed a ceiling on the interest which the banks may charge on advances.

The agreement will continue to run until next June, and meanwhile any bank which improves its terms to attract deposits will only be able to do so by squeezing the margin between interest rates on deposits and advances.

The factor which makes the new method of credit control feasible is that since 1975 the banks have had no automatic right to borrow from the central bank and the latter is therefore in a position to operate an effective control on liquidity—or so it hopes.

The reason that the banks are not entirely satisfied with the new system is that they are still handicapped in competition for credit with the bond market and pension and insurance funds.

Determined

Interest rates in the bond market are freely determined by the market. With a massive Government borrowing requirement of the order of Dkr 800a a year or 12 to 13 per cent of the Gross Domestic Product, bond prices are low and effective interest rates on bonds are 19 to 20 per cent. With the direct and indirect restrictions placed on the deposit rates which the banks can charge, they cannot compete with the bond market

for deposits from the public. Over a period of years the result has been a gradual reduction in the banks' and savings banks' share of the credit market. Interest rates on 12-month deposits are now about 13 per cent.

The economic situation in Denmark last year, with little improvement expected in 1981, was not favourable to the banks. The official discount rate was raised by two points to 13 per cent in February last, a record level, and it was not reduced until September 19, when it came down to 12 per cent. Another reduction brought it down to 11 per cent on October 27.

For seven months of the year interest rates on overdrafts were in the 18 to 20 per cent band, which proved crippling for the business community. Bankruptcies reached a record level. The banks claim that the impact on business has been far more serious than the squeeze which followed the first oil crisis. The banks expect that total customer losses last year will prove to be in excess of Dkr 28bn, the largest sum ever.

With the exception of one very small provincial bank, which was taken over by a bigger bank, the economic climate has caused any serious problems for the banks themselves, however. Their operating incomes will have been generally satisfactory last year, according to Mr. Bendt Hansen, general manager of Handelsbanken and until last month also chairman of the Danish Bankers' Association. The banks' solvency ratios will not be affected by the customer losses, he said.

Central bank monetary policy has for several years been geared to keeping the rise in the money supply M2 (which includes primary liquidity, demand and term deposits) slightly under the increase in the Gross Domestic Product (GDP). The increase in the 12 months to September last was 7.8 per cent. Commercial bank deposits increased by 8.7 per cent and advances by 7.3 per cent, while for the savings banks the increases were 7.4 per

cent and 7.7 per cent respectively.

In 1975-76, following the first oil crisis, the Danish Government developed a highly expansionary fiscal policy in the hope that the growth of domestic demand would be matched by a rising international demand for Danish exports. The policy was a disaster, as export demand did not expand as rapidly as envisaged. In 1977 the country woke up to a current balance of payments deficit which was larger than ever and to a massive budget deficit as well.

These two factors have subsequently imposed considerable discipline on economic policy. The present Social Democratic minority Government has made serious efforts to prevent a further deterioration in the external position.

Unexpectedly

A tough fiscal policy last year caused private consumption to fall by about 3 per cent in real terms and the real disposable incomes of the employed population by about 5 per cent. A major effort has been made to bring the inexorable growth of the public sector under control, and so far with success. Real public spending shot up unexpectedly by about 6 per cent in 1979 but last year it will have been brought down to about 3 per cent; successive reductions to a no-growth situation by 1983-84 are planned.

The sharp domestic recession has brought about a marked improvement in the external balance. The current balance of payments deficit last year was probably in the region of Dkr 14bn compared with Dkr 15.6bn in 1979.

The improvement in the inflation rate and the external balance have been accompanied by falling production and rising unemployment. GDP in real terms will probably have declined by about 1 to 1.4 per cent in 1980 and there will be next-to-no growth in 1981. Industrial deliveries and orders have collapsed this autumn. Unemployment will have averaged about 7 per cent in 1980, probably rising to 8 per cent this year.

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NORDIC BANKING AND FINANCE V

Late recovery checks earnings slide

SWEDEN

WILLIAM DULLFORCE

THE SWEDISH banks have had their earnings reduced for the first time in 10 years in 1980 but it has been an eventful year and not all developments were black. The bankers complain with justification that under the tight monetary policy they are being transformed into holders of liquid bond portfolios rather than acting as purveyors of credit. For all that they were able last year to widen the range of their activities to the issuing of bank certificates and their own bonds.

The commercial banks' operating profits during the first eight months tumbled by about 30 per cent, with the State-owned PKBanken showing a setback of almost 50 per cent and the two big private banks, Skandinaviska Enskilda and Svenska Handelsbanken, reporting declines of 23 per cent.

But the worst is past and earnings were expected to pick up sufficiently during the last four months to restrict the overall 1980 profit slide to about 20 per cent. It should be noted, though, that the downturn in earnings had set in already in the last four months of 1979.

The 10 per cent discount rate which prevailed throughout last year is one factor depressing profits. As Mr. Lars Wohlin, the Riksbank (central bank) Governor, has pointed out, the real discount rate for

the banks is the 13 per cent penalty rate at which they can borrow from the Riksbank.

The combination of high discount rate with unchanged returns from the large bond holdings the banks are forced to carry carved 13 per cent, or more than SKr 500m, off the commercial banks' net interest income in the first eight months, although turnover rose by 15 per cent.

The banks were no happier when the Riksbank decided to raise their obligatory liquidity ratios in November for the second time last year. The large commercial banks now have to put 41 per cent of their deposits in so-called priority placements — State and housing bonds.

The Riksbank took two steps to alleviate the damage to bank margins. In August it allowed the long-term bond rate to rise to 12.5 per cent and in April it reduced its cash quota claims on the commercial banks from 8 to 2 per cent.

The banks must partly blame themselves for their profit slump. In the autumn of 1979 they started a fierce competition for deposits with new savings forms, which are estimated to have forced up deposit rates by 0.6 to 0.7 per cent.

Since the summer the Riksbank has applied a 6 per cent ceiling to the increase in bank lending to sectors other than the so-called priority placements. The official straitjacket imposed on bank operations is motivated by the deficits on Sweden's current account and in the State budget. The 1980 current account deficit has

swollen from an original prediction of SKr 11bn to a probable outcome of over SKr 21bn.

The corporate sector has had little interest in foreign loans. The restrictions on bank lending do not apply to loans that can be refinanced abroad and the banks' foreign borrowing is expected to have reached SKr 5bn or more last year.

Nevertheless, the Government has had to finance the bulk of the deficit itself through the State Debt Office, which will have taken up foreign loans amounting to around SKr 22bn by the end of last year.

Financing the budget deficit is the second major factor for the monetary controls. The 1980 deficit was over SKr 50bn and unless the Government steels itself to make further cuts in public spending, this year's deficit is likely to be larger.

Spending

Efforts to finance the State outside the banking system have only partially succeeded and the banks have been called on to take an increasing share of the burden. Bankers estimate that some 80 per cent of the increase in their deposits last year will have had to be put into the so-called priority placements.

One interesting new development last year was the introduction of bank certificates. Since March last the banks have been allowed to issue these short-term instruments, which have a maximum term of one year and can be freely traded, so that their prices and effective returns are determined by the market.

The authorities saw the certificates as an alternative to the so-called special deposits with which the banks competed for corporate cash. They seem to have been successful. By the end of November close to SKr 14bn had been placed in bank certificates, of which almost SKr 10bn was held outside the banks.

Interest rates varied from 13-14 per cent at the introduction of the certificates to around 12.5 per cent in May, only to rise again in the autumn. In November the interest on three-month bank certificates was around 13.5 per cent, an indication of the way the tight monetary policy has been pushing up short-term rates.

An amendment to the Banking Act last year enabled banks to start selling their own bonds from November on. The bonds carry fixed interest, must have a minimum value of SKr 1,000 and a maximum term of seven years. They are negotiable.

Another new development in 1980 was the corraling of the finance companies within the bank inspectorate's stockade. The legislation aimed at obtaining control of part of the so-called "grey market" funds.

The finance companies—some of the largest are owned by the big banks—have expanded swiftly during recent years and are calculated to have contributed around SKr 4bn to investments last year. The new Act limits their borrowing to 12.5 times their own capital but following a plea from their association the limit may be extended in 1981.



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Rise in bank share prices

NORWAY

FAY GJESTER

TO SELL or not to sell—that was the dilemma facing bank shareholders in Norway as 1980 drew to a close.

December 31 was the last day they could sell their shares to the Bank of Norway at a guaranteed price, under the provisions of the controversial new law designed to make the banks more democratic. There was much speculation that bank share prices might fall sharply in the new year, once this statutory support had been removed.

In the event, the pessimists have been confounded. All but a few of the shares purchased under the law by the Bank of Norway had been resold to private investors by the end of the year. And the first week of January saw bank share prices rising, not falling.

One event, in particular, is

believed to have stimulated investor demand for bank shares. In December, the Vesta insurance group sought to buy the State's entire holding of shares in Bergen Bank, the country's third largest. The State had accumulated about a fifth of the bank's shares—some 833,000, worth nearly Nkr 100m.

Private investors had disposed of the shares in far larger numbers than those of the other leading banks, probably owing to lingering scepticism over the dividend for 1978 was cut sharply, following a bad year.

Because of a legal technicality, the authorities refused to allow the Vesta group to buy all the State's stake in the bank. Vesta was held to be a single buyer, rather than four (the four partners in the group), and a rule said that no single owner could hold more than 10 per cent of a commercial bank's shares.

Though the Vesta deal was pared down, its effect on the market was immediately apparent. In October, through sales to the Bank of Norway, investors had redeemed 75,000

bank shares. This compared with 18,000 in September and only 5,000 in August. The tide of redemptions appeared to be rising. But the news of Vesta's bid convinced many that bank shares were a good investment, and there was an upswing in purchases from the central bank.

When the final sums were done, early in January, it turned out that resales by the Bank of Norway had totalled 1,061,763 shares, in the three years the Government offer was open. This compared with 494 redemptions totalling 1,079,572, worth a total of some Nkr 125m to Nkr 130m. Because the central bank had managed to resell all but 17,908 shares, by end 1980, the State's net outlay on the arrangement was relatively small.

The Bank Democracy Law included the share redemption offer because it took effective control of the banks out of the hands of shareholders. One of its key provisions was to cut public appointees in a majority on the bank's representative councils, which elect bank boards.

Prevailing political trends in Norway make it quite likely that this controversial feature of the law will be amended during the life of the next Storting (Parliament). With the next general election less than nine months away, opinion polls give the non-socialist parties a substantial lead over the ruling Labour Party and its traditional ally, the Socialist Left Party.

One recent poll even indicated that the opposition Conservative Party may have ousted Labour as Norway's most popular party for the first time in 60 years. In this poll, taken in November, the party scored 31.2 per cent—0.3 per cent more than Labour. It is committed to form a coalition with the Centre Party and the Christian Democrats, if Labour loses next year, and all three parties are opposed to the Bank Democracy Law as it now stands. Thus, politics is another factor influencing the demand for bank shares.

Bank profits improved during the final quarter of 1980, after suffering earlier in the year from a combination of credit curbs, interest rate controls and rising costs. The improvement was a result of the Government's decision, in September, to allow the banks to raise interest charges on most kinds of loans. Commission rates and service charges were also increased from that month onwards, but there has been no general rise in interest rates on deposits.

Restrictions eased

The move to permit higher interest charges was evidence of this. The authorities are also allowing the banks to start charging customers for cheques below a minimum amount (Nkr 150, initially), and employers for transfers of salaries to employees' accounts. These charges—new to Norwegian bank users—will be introduced from February 1 and March 1, respectively, by the commercial banks. The savings banks are expected to follow suit soon afterwards.

An important development affecting the banks during the autumn was the Government's decision to ease restrictions on the issue of bearer bond loans on the domestic market.

Previously, every such issue had to be licensed in advance by the authorities. Now, subject to some exceptions, Norwegian companies are free to float bearer bond loans on this market at whatever interest rate they think the market will accept. This gives them an alternative to borrowing directly from the banks.

During October, the first month the new rules applied, the volume of bank loans outstanding to industry fell by Nkr 1,109 (3.2 per cent of the total), compared with a fall of Nkr 512m (1.1 per cent) in October, 1979, while total bank holdings of bearer bonds issued by the industry showed a marked rise. Demand for the bonds has come mainly from banks and credit institutions.

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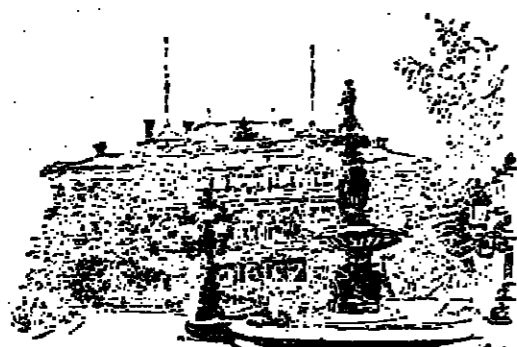
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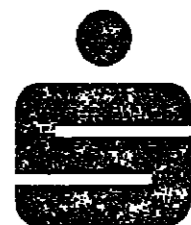
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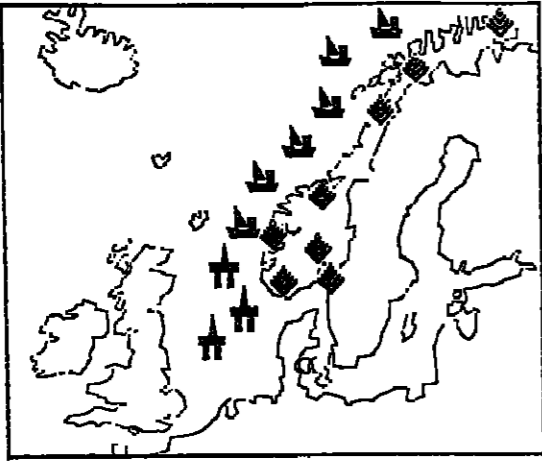
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NORDIC BANKING AND FINANCE VI

Life with Europe's top inflation

ICELAND

JON. H. MAGNUSSON

NOT ONLY did Iceland retain its title as the European inflation champion of 1980, but it "improved" its record as well. The Government economists claimed that the inflation rate stood at around 50 to 55 per cent on a 12-month basis, but leading members of the business and banking community now claim that the rate is about 70 per cent.

One of Iceland's powerful union bosses, Mr. Gudmundur I. Gudmundsson, said in a newspaper interview on January 7 that he did not think the inflation was 70 per cent, but rather 80 per cent at the end of the year.

Dr. Gunnar Thoroddsen, the Prime Minister of Iceland, announced long-awaited economic measures in a year-end television speech to the nation. The measures include a comprehensive price freeze from January 1 to May 1; the exchange rate for the Icelandic krona will be frozen against all major currencies for at least three to four months; the automatic quarterly increases of all wages (which are tied directly to living-index reviews) will be cut by a flat 7 per cent on March 1; the expected increases in bank lending rates did not materialise and the income tax for the lowest paid workers will be cut by 1.5 per cent.

Intentions

Dr. Thoroddsen claims that his economic package will cut the inflation down to 40 to 50 per cent at the end of this year. But opposition and business leaders say that the new measures will, at best, keep the inflation rate at 70 per cent at the end of 1981. The Government promised when it came into office last February that its main task would be to bring down the rate of inflation to 40 per cent in the first year in office and to the level prevailing among the country's principal trading partners by 1982.

The inflation-tired Icelanders also received a new currency on January 1 when a new krona (ISK) replaced 100 old (GKR) krona. The Government said that its reforms were tied to the new krona which would be a stable and valuable currency. This was a long overdue currency reform. The rate of exchange is now one pound sterling to 15.15 new ISK and one U.S. dollar to ISK 6.24 or almost the rate for the dollar as it was in the beginning of World War II.

Government which came into office in 1971. Since then the country has had five governments, of both Left and Right leanings, and none has been able, or for that matter willing, to come to grips with the problems which lie at the root of the inflation.

The main one is that all wages are tied directly to the quarterly review of the living index, which automatically pushed all salaries up by 9.53 per cent on December 1 last. Negotiated wage agreements and the automatic index mechanism have increased wages between May, 1979, and the end of last year by 110.74 per cent. If the Government does nothing to curb inflation during the next few months, wages will increase from December 1 last to December 1 next by another 60 per cent.

Mr. Thorsteinn Pálsson, managing director of the Icelandic Employers' Federation, said publicly last autumn that the consumer index will increase by 87 per cent between November last year and this. But Government economists have said that the increase will be 70 per cent if the Government does nothing to turn the tide.

Fishermen had hoped for a 30 per cent increase in fish prices from January 1, but the Government is only willing to grant half that or less. Price talks between the fishermen and the fishing industry have been deadlocked since before the holidays.

Almost everyone had anticipated a double digit devaluation of the ISK on January 1, but the Government instead allowed the krona to slide by 3 to 6 per cent against major currencies during the last days of December and then promised to keep the exchange rate unchanged at least for the next three to four months.

The deterioration of the economy and the inflation problem are putting a tremendous strain on the Icelandic banks. Last year they experienced great variations in their liquidity. The private, as well as the public sector, is constantly demanding more loans, while on the other hand the ordinary citizen is reluctant to put his savings into bank accounts because the rate of inflation is much higher than the highest savings interest rates. The banks have tried to cope with this by offering special interest premium accounts, with interest rates going as high as 46 per cent. The discount rate on short-term draft loans is now 36 per cent.

The tight liquidity squeeze which took place in June and August resulted partly from the rapid credit expansion and it prompted the central bank in September to bring the penalty rate of overdrafts up from 4.75 per cent per month to 5.5 per cent, with an adjustment period of three months. Since October the liquidity of most banks has

improved, thanks mostly to a mutually agreed programme of credit restraint. This meant both the large commercial banks as well as the savings banks tried to cut down credit by 5 per cent a month over the last four months of 1980.

The measure has been very rough on the Icelandic business community, which has been suffering great hardship over the past few years—mainly because of inflation and extremely high interest rates, which have resulted in serious cash flow problems from most enterprises.

The interest rate policy was introduced in the Economic Act of April 1979, which was aimed at bringing interest rates on deposits and lending into line with inflation so as to soften the harmful effects of the spiralling inflation on the financial system and the economy. The present government decided in the light of increasing interest burdens on the fishing industry in particular and other industries in general to delay the realignment and later it announced a formal postponement for another year.

One leading Minister told me that it would not be wise to

keep pushing the interest rates up towards the inflation rate, "because that only serves to push the inflation up further." Interest rates are about 11 per cent in the negative for deposits and 6 per cent for loans and advances.

Over the past 10 years savings as a percentage of Gross National Product have been gradually decreasing. In 1971 the ratio was 31 per cent of GNP but 1979 only 22 per cent; it is likely to have been about the same last year. This is one of the main reasons for the banks' liquidity problems. Their liquidity status with the central bank on August 31 last was minus ISK 19.7bn but at the corresponding date in 1979 it was minus ISK 5.5bn. The main reason for this development is, besides inflation, the ever-increasing oil bill and the worsening status of the fishing industry.

Another problem for the three large State banks is that they are required to carry low interest stock loans to the fisheries, agriculture and other industries. Export loans carry only 5.5 per cent interest; other loans to these three sectors carry 29 per cent interest, but

both types of loans are pegged to foreign exchange rates.

The economic outlook is at best rather grim and there are few signs of brighter times ahead. Growth last year will have been only about 1 per cent; the terms of trade are deteriorating and foreign trade is badly out of balance. The deficit for last year is expected to be about 5 per cent of GNP and the current account will show a deficit of 3.5 per cent.

The two years before 1980 were good years for foreign trade. The 1979 deficit was equal to 1 per cent of GNP, with the goods and services accounts in surplus as to 3 per cent of GNP in 1978. The imbalance in trade was caused by a 43.5 per cent increase in imports and a 24.5 per cent increase in total exports, with fish counting for more than three-quarters of total exports.

Oil imports have increased by 57 per cent, mainly because of higher prices, but volume has decreased because of conservation and the increased use of geothermal energy. Imports of capital goods have increased by 57 per cent and general imports by 36 per cent. The central

bank announced a deficit on the services account for the first half of 1980 roughly comparable to the previous year's deficit, but exact figures are not yet available. The deficit on the goods and services account has only slightly affected the foreign exchange reserves.

Iceland's foreign debt is now around ISK 5,000bn, thought to be much too high for such a small country. In 1979 the redemption cost and interest charges for long-term foreign loans amounted to nearly 13 per cent of total export revenues. In the previous three years the debt service ratio has been 13 to 14 per cent but last year it was expected to be 15 to 16 per cent of gross export income, or a third of GNP.

The large commercial banks will have survived 1980, but they might not show much profit after a very difficult year. The outcome for the smaller banks will have been better, if only because they are not required to carry the low interest stock loans for the fishing industry, agriculture and other industries and they manage to keep operating costs down to a minimum.

Protests as monetary screws are tightened

FINLAND

LANCE KEYWORTH

THE LATEST jest in the Finnish banking world is that the Bank of Finland is the Finnish Maggie Thatcher. After a brief period of easy going, the monetary screws are now being turned tighter and tighter.

The reaction in Finnish banking and industrial sectors is as mixed as the reaction to Mrs. Thatcher's monetary policy in the UK. As the Finnish economy is in better shape than the British at present and the outlook—with two exceptions—for 1981 is not too bad according to current estimates, many feel that the squeeze is being applied too strongly and too fast.

Yet most concede that some action from the central bank was necessary as there once again seems to be a lack of political will to deal with the current main problem—inflation—through fiscal measures. In addition, there are two major uncertainties ahead: oil prices and the wage settlements due early this year.

Frozen

Money is being removed from circulation in other ways too. The sawmill and pulp branches have been ordered to pay 3 to 4 per cent of their export earnings into a frozen export deposit account. All companies with a taxable income of FM 14,000 or more in fiscal 1978 must pay 5 per cent of the total into a special cyclical reserve account with the Bank of Finland in monthly instalments over the next 12 months. In addition, companies are being encouraged to increase their tax-exempt investment deposit reserves against the rainy day.

As investment was expected to increase in volume by 10 per cent last year and by a further 6 per cent in 1981, the pressure on the banks for credit is increasing, while at the same time the rate of growth of deposits is slowing somewhat. The situation is not eased by the fact that the State intends to borrow more in the domestic market and cut its foreign loans. The commercial banks feel that the State should borrow more abroad and leave the banks in an easier position to provide loans in Finland.

The argument against this is the sharply increasing current account deficit. It was expected to reach FM 7bn last year and rise somewhat higher in 1981. Yet, as the bankers point out, this is not really alarming. It amounts to only 3 to 4 per cent of Gross Domestic Product (GDP), a considerably smaller ratio than in many other industrialised countries.

The forecast GDP growth for 1981 is 2 to 3 per cent. That may be a long drop from the 7 per cent of 1979 and the 6 per cent of last year, but it is by no means stagnation. Unemployment has been brought below 5 per cent. It will stay around

that level in 1981, and hence is removed from the priority list.

Inflation is now the main worry. It was kept down to below 8 per cent in 1978-79 but rose to 13 per cent last year. The forecast for 1981 is in the range of 10 per cent but this is conditional on no sharp increase in oil prices (Finland imports all its oil) and on the new incomes settlement due to be announced by March 1981, when many of the current labour contracts run out. If it is a moderate settlement, the chances of slowing the rising rate of inflation are good. Preliminary bargaining has already started but it would be pointless to do any guesswork at this stage.

Finnish banks have been moving increasingly into the main money centres of the world in recent years through acquiring shares in international consortium banks and/or establishing wholly-owned subsidiaries. In one way or another they are established in the main Euromarket centres and in New York, in Singapore and, through representative offices, in Moscow, South America, Hong Kong, Tokyo and Sydney. Now, for the first time, it is possible

that foreign banks may start establishing subsidiaries in Finland.

Foreign banks have long been able to open representative offices in Finland. Now, under an amendment to the banking laws that became effective in January this year, they may establish subsidiaries in Finland, subject to the permission of the Ministry of Finance (they may still not establish branch offices). There has been no rush to take advantage of the new situation. Informal inquiries have been received from two or three foreign banks—the only one named is Citibank—but so far no formal application has been submitted.

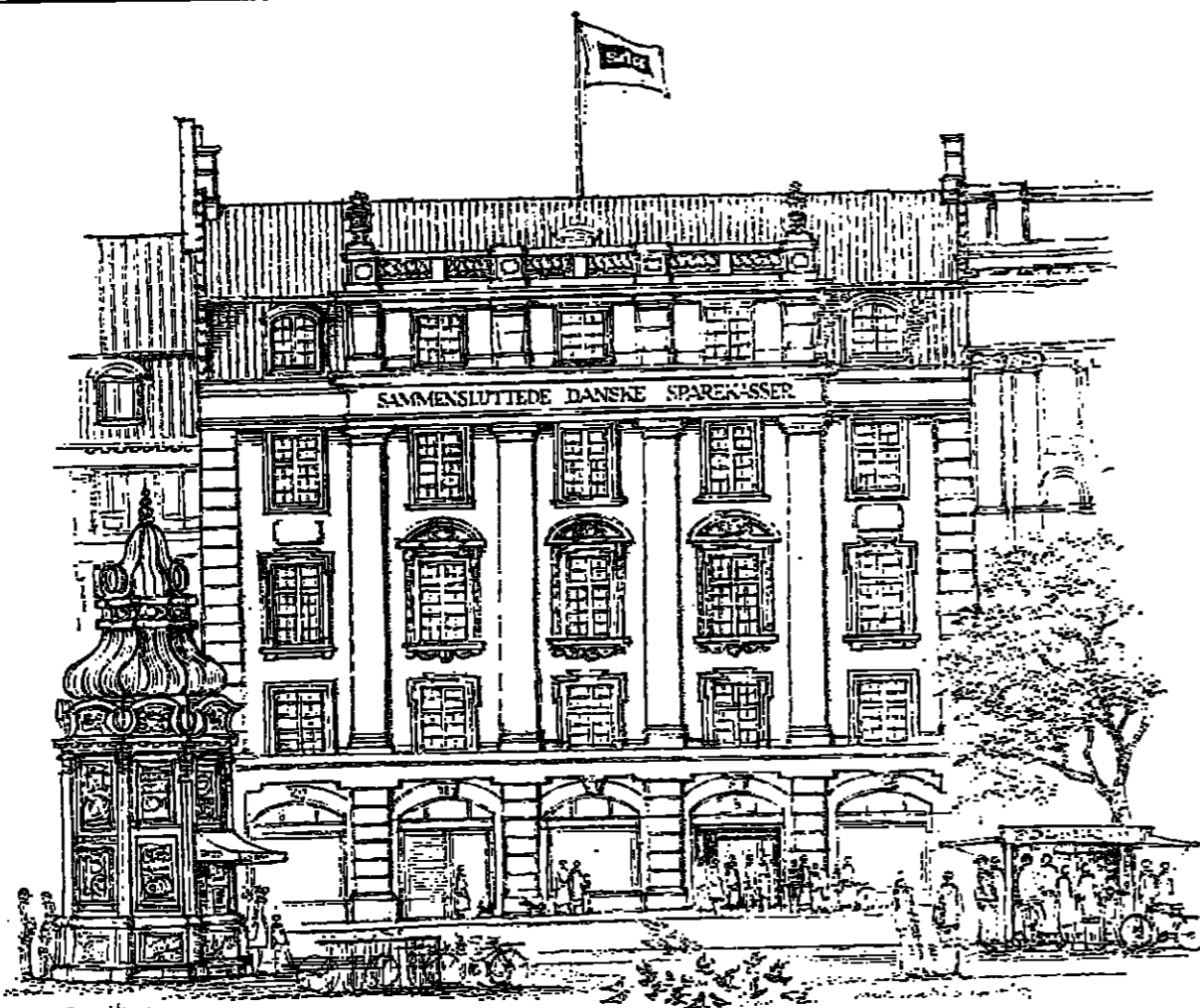
Negative

The Finnish banks have mixed feelings about the changed situation. The general attitude tends to be negative. But one senior commercial banker said: "I'm not convinced that it's all bad. They will introduce innovations and help to develop our money markets. In fact, foreign banks are already here in practice, so the competition will not increase all that much." Another commercial banker remarked:

"It depends on the rules of the game. It's unlikely foreign banks will be allowed to compete for deposits from the public. But if they can attract corporate cheque accounts, by paying interest on them we will feel the difference." Another point that would require clarification is whether the foreign banks would have recourse to the Bank of Finland's central money market.

The deposit-taking banks had a good year in 1979, with net earnings up 27 per cent for the group as a whole. They do not expect 1980 to have been quite so good and 1981 will be poorer still. The credit squeeze has made it necessary to use the full money market on an increasing scale, and the central bank is charging a high penalty rate of interest on drawings in excess of a certain level. These extra costs may not be passed on to the borrower.

But as regards the economy in general, bankers take a cautiously optimistic view of prospects for 1981 and are more or less resigned to the fact that, as in the past, it is the banks that will have to bear the brunt of the burden of the fight against inflation.



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Telex 42018
Central Office in Oslo:
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Oslo 1, Norway
Telephone +47 22 40 05 50
Telex 11059

Lamb rescue scheme

Financial Times Reporter

A LAMB orphanage to try to save some of the 3m new-born lambs which die in Britain each year was opened yesterday.

The lamb deaths represent the greatest waste in agriculture today, said Mr. Philip Paxman, managing director of the Volar Group, which has developed an automatic feeding machine to cope with lambs whose mothers cannot feed all their offspring.

Mr. Paxman, who is also a vet, said: "The 50,000 tonnes of lost lamb meat could cut dramatically our need to import lamb and add substantially to the 50 per cent or so of EEC lamb which Britain supplies." He estimated British farmers are losing £100m a year as a result of early lamb losses.

Last year Britain's breeding flock of 12m ewes produced 15.2m lambs. Apart from weak and sick lambs, about 15 per cent of lambs born cannot be reared naturally and many of these die, said Mr. Paxman.

The orphanage at Shingay, Royston, Herts, will take lambs from ewes who have had multiple offspring and cannot feed them all. The lambs will be kept warm and fed on specially formulated milk, very similar to the ewe's.

Sheep meat regime booklet

A COMPREHENSIVE explanation of the EEC sheepmeat regime is given in a 34-page booklet published this week by the Meat and Livestock Commission (MLC). It describes the historical background to the regime, and details the internal support systems, annual premium payments and the arrangements for trade with non-EEC countries.

The booklet, part of the European booklet series prepared by MLC's economics department, explains the export "clawback", the variable premium scheme, "green" currency rates and the arrangements for voluntary restraint on New Zealand lamb imports.

*CAP—Sheepmeat, price £3, from MLC, Economics Department, PO Box 44, Queensway House, Blechley, Milton Keynes, MK2 2EP.

Tin drops to three-year low

BY JOHN EDWARDS, COMMODITIES EDITOR

TIN PRICES fell heavily again on the London Metal Exchange yesterday morning as the market was hit by a fresh wave of trade and speculative selling. The cash price hit a low of \$5,880 a tonne at one stage—£200 down on the previous day and a loss of \$500 in the past month. The market rallied in the afternoon as a result of the low price attracting buying interest from the U.S. Nevertheless, cash tin still closed \$125 down on the day at \$5,555 a tonne—its lowest closing level since early 1978.

Lack of consumer demand has been the fundamental influence undermining the market during the past few weeks. But the decline has

been exaggerated by selling both from speculators and from trade hedging of previous sales, notably to the Soviet Union.

Values in the metal physical tin market in Penang have fallen sharply, too. The Straits tin price has declined by 0.71 cents during the past two days to 32 Malaysian ringgits a kilo.

The International Tin Council agreed this week to convert its buffer stock price ranges to the new metric units being used in Penang. A straight conversion would make the new "floor" price under the International Tin Agreement 27.28 ringgits per kilo and the "ceiling" 35.47 ringgits. So

the current Straits tin price of 32 ringgits remains within the middle range where the buffer stock is unable to operate without special permission from the Tin Council.

As expected the Tin Council decided to extend the existing International Tin Agreement for a further year, after its scheduled expiry date in June this year. This follows the difficulties and delays encountered in negotiating a new Tin Agreement.

The Tin Council also agreed that its special Economic and Price Review Panel should meet early in March to study producers' demands for an increase in the Agreement's "floor" and "ceiling" prices. The Panel's

recommendations will then be put to the full Council meeting, scheduled for early April.

At one stage during the day it was rumoured that the Council had decided to defer any upward revision in the price range until next year, and this helped the downward trend in market prices.

Producers are seeking too suspension of the U.S. strategic stockpile tin sales programme in view of the deterioration in the market. Meanwhile, it was announced on the Exchange yesterday that dealings on the tin market will revert to the previous format of basing bids and offers on standard grade material.

Japan plans aluminium stockpile

BY ROY HODSON

THE CREATION of a \$9m stockpile of primary aluminium is being considered by the Japanese government to help the depressed domestic market for the metal. The Japanese Trade and Industry Ministry said in Tokyo yesterday it is preparing to buy nearly 10,000 tonnes of primary metal "to reduce increasing inventories and bolster the market."

Stocks of metal in the non-Communist countries are hovering round the 2m tonnes mark—an increase of nearly 50 per

cent in nine months—and producers in many countries are considering production cutbacks as an alternative to further stockpiling.

The Japanese ministry, while agreeing that conditions in Japan are right for a government-financed aluminium stockpile, has not made a final decision on when and how much primary metal should be bought.

Aluminium industry sources in Japan believe the planned government stockpile will be too small to have an impact upon prices. The present level of

producer stocks stems, they say, from slow business activity and dull housing demand.

LEAD prices fell to the lowest levels since early 1978 on the London Metal Exchange yesterday. The cash price fell 10.75 to close at \$291.75 a tonne—the first time it has fallen below \$300 since February 1978.

The market was also hit yesterday by the easing of speculative selling. Copper, aluminium, nickel and zinc all closed lower last night following the downward trend in gold.

India plans tea export boost

By P. C. Mahanti in Calcutta

INDIA PLANS to step up tea production by 25m to 30m kilos a year, and raise exports by some 10m kilos annually under an expansion plan for 1980-81 to 1984-85, according to Mr. P. K. Kaul, Ministry of Commerce Secretary.

Speaking to an international seminar on tea, organised here to celebrate the centenary of the Indian Tea Association, Mr. Kaul said the expansion of tea production at the proposed rate had not only to be maintained but accelerated in subsequent periods.

India's tea production during 1980 is now finally set at 575m kilos compared with 548m in 1979 and exports are likely to be appreciably higher than the previous year's 210m kilos.

According to the industry exports could have been 240m kilos but for the disruptions to shipments caused by a strike at tea warehouses in Calcutta. Even so, an export figure of 230m kilos is not unlikely, considering the increased number of export licences issued by the Tea Board already.

The tea industry is anxious to raise output in line with a target of 400m kilos by the year 2000 and the consultative committee of plantation associations is currently engaged in an exercise to work out a development plan up to the turn of the century.

PRINCE RUPERT TERMINAL

Trying to solve Canada's grain freight problems

BY A CORRESPONDENT

FOLLOWING the autumn signing of an agreement which ended months of financial and legal argument, site-clearing has begun in preparation for the construction of a large new grain terminal at Prince Rupert in north-western British Columbia, Canada.

The move is considered by the Canadian government and the national grain industry as a key element to upgrade Canada's sluggish and inefficient grain transportation system. It will cost western farmers millions of dollars annually in lost export sales.

The facility is expected to increase west coast grain-handling capacity by 3m tonnes, and is scheduled to commence operating in 1984. However, since final costs cannot be estimated accurately until at least next summer, an escape clause in the agreement would allow Prince Rupert Grain, the consortium which will build the project, to opt out if costs are much in excess of initial estimates of close to \$200m.

Approximately half the financing for the project will come from a low interest loan from the Alberta Heritage Trust fund, established by the western province's Tory govern-

ment in 1975. In November, the Canadian Wheat Board announced it will give the consortium a \$100m interest-free loan to entice it to build extra surge capacity into the terminal.

Any costs over \$200m will be shared by the Alberta government and the consortium, which consists of the Alberta, Saskatchewan and Manitoba Wheat Pools and three private industry giants—Cargill Grain, Pioneer Grain and United Grain Growers.

The Canadian Wheat Board said the \$100m interest-free loan is necessary to get the project moving. CWB assistant chief commissioner, Dr. Larry Kristianson, told the annual meeting of the Alberta Wheat Pool in late November the money for the loan will come from Canada's grain producers over the next 20 to 30 years, probably in the form of deductions from grain payments.

United Grain Growers—one of the participants in the project which also represents a large number of farm producers in the country—says it anticipated a significant number of Canadian farmers would oppose such a move.

"The farmers that will really benefit from the project are those from Central Saskatchewan westward—particularly Alberta farmers. East of Central Saskatchewan it is probably less expensive to ship grain east to Thunder Bay, Ontario."

The UGG does not share the optimism of the Canadian Wheat Board that the Prince Rupert terminal will solve all the nation's grain transportation problems. "One of the biggest bottlenecks has been labour unrest, particularly at the railways and terminals—we haven't been free from these problems for an entire year in the past several years, and so we can't realistically determine what our capacity is."

Mr. Kristianson insists the Prince Rupert terminal will provide an important new outlet for western grain for the late 1980s and beyond. He says the surge capacity will be used as a buffer against interruptions in rail shipments or ship arrivals, caused by such problems as labour unrest, and to improve service to international customers. In some cases, it could be used for spot sales, which Mr. Kristianson describes as "an impossible luxury with the current system."

Jute price support opposed

BY BRIJ KHANDARIA IN GENEVA

THE COMMON MARKET will oppose any attempt to influence free market prices for jute, it warned producers at a conference being held here until January 30. But it accepted the need for a new International Jute Organisation.

The U.S., the world's largest jute consumer, said the organisation should deal only with research and development, market promotion and cost reduction. It should not get involved in any foreign aid activity such as transferring money from rich countries to finance investment in third world jute industries and it should only have a small administrative budget, the Americans said.

Japan, also a large consumer, said any prospective agreement should be treated as "an administrative arrangement" aimed at increasing the general competitiveness of jute over the long term.

The six jute exporting countries—India, Bangladesh, Thailand, Burma, Nepal, and Sri Lanka—have reluctantly accepted that the best they can get is a loose international jute organisation instead of the firm price stabilisation accord they have sought for the past four years.

Opposition to a price stabilisation deal did not come from industrialised consumer countries alone. Pakistan, which buys about 5 per cent of

world jute exports, said it sympathised with the producer countries but prefers to see the creation of a jute organisation along the lines suggested by Western delegates.

Talks centred on four separate proposals tabled by the Common Market, U.S., Japan and the producer countries. The key difference arose from insistence by producers that the organisation should be a first step towards a price stabilisation agreement. The UN Conference on Trade and Development (UNCTAD) is suggesting that the talks should make a clear distinction between overall goals and actual projects which must be chosen according to feasibility.

EEC sugar sales down

BY OUR COMMODITIES STAFF

EEC EXPORT licences were granted on 29,000 tonnes of white sugar at yesterday's weekly tender in Brussels. The total was well down from last week's 35,500 tonnes were authorised for export.

A minimum levy of 6.069 European currency units was charged on the exports. This was below the 10.269 ECUs charged last week but somewhat higher than traders had expected, hence the reduction in allotments. Higher EEC internal sugar prices had discouraged many operators from paying the levy, the traders said.

The reduced EEC sales had little effect on market sentiment, however. On the London futures market the May position ended the day \$2.625 higher at \$299.375.

Australia's outlook firm

Australia's outlook firm

AUSTRALIA'S SUGAR production in the current season is still expected to be about 3.2m tonnes in spite of the cane growing northern regions of the state of Queensland being declared a disaster area.

The Queensland Cane Growers Association in Brisbane said reports suggesting a serious shortfall in the Queensland crop were based on a total misconception.

Continued monsoon rain has ruined more than 50,000 tonnes of sugar cane.

But the association says that further south in the Herbert River area the rain has had a beneficial effect on crops, which will lead to higher output.

BRITISH COMMODITY MARKETS

BASE METALS

COPPER—Little change on balance on the London Metal Exchange. Forward metal held in the 2007-2011 range throughout the pre-market, weakening to 1902 around mid-day following persistent hedge selling and the decline in Gold. However, in the afternoon good demand in the U.S. encouraged a rally in London and three months recovered to close the late Kib at \$289.5. Turnover: 22,550 tonnes.

TIN—Steady, lower again as a further fall in Penang tapered renewed heavy best-selling, but liquidation and stop-loss selling, which depressed three months to a low of \$1,600 at the start of afternoon trading. However, this level attracted sizeable physical demand from the U.S. and forward metal recovered to close the late Kib at \$1,612.5. Turnover: 1,885 tonnes.

ZINC—Steady, lower again as a further fall in Penang tapered renewed heavy best-selling, but liquidation and stop-loss selling, which depressed three months to a low of \$1,600 at the start of afternoon trading. However, this level attracted sizeable physical demand from the U.S. and forward metal recovered to close the late Kib at \$1,612.5. Turnover: 1,885 tonnes.

NICKEL—Steady, lower again as a further fall in Penang tapered renewed heavy best-selling, but liquidation and stop-loss selling, which depressed three months to a low of \$1,600 at the start of afternoon trading. However, this level attracted sizeable physical demand from the U.S. and forward metal recovered to close the late Kib at \$1,612.5. Turnover: 1,885 tonnes.

LEAD—Steady, lower again as a further fall in Penang tapered renewed heavy best-selling, but liquidation and stop-loss selling, which depressed three months to a low of \$1,600 at the start of afternoon trading. However, this level attracted sizeable physical demand from the U.S. and forward metal recovered to close the late Kib at \$1,612.5. Turnover: 1,885 tonnes.

ALUMINIUM—Steady, lower again as a further fall in Penang tapered renewed heavy best-selling, but liquidation and stop-loss selling, which depressed three months to a low of \$1,600 at the start of afternoon trading. However, this level attracted sizeable physical demand from the U.S. and forward metal recovered to close the late Kib at \$1,612.5. Turnover: 1,885 tonnes.

IRON—Steady, lower again as a further fall in Penang tapered renewed heavy best-selling, but liquidation and stop-loss selling, which depressed three months to a low of \$1,600 at the start of afternoon trading. However, this level attracted sizeable physical demand from the U.S. and forward metal recovered to close the late Kib at \$1,612.5. Turnover: 1,885 tonnes.

STEEL—Steady, lower again as a further fall in Penang tapered renewed heavy best-selling, but liquidation and stop-loss selling, which depressed three months to a low of \$1,600 at the start of afternoon trading. However, this level attracted sizeable physical demand from the U.S. and forward metal recovered to close the late Kib at \$1,612.5. Turnover: 1,885 tonnes.

COAL—Steady, lower again as a further fall in Penang tapered renewed heavy best-selling, but liquidation and stop-loss selling, which depressed three months to a low of \$1,600 at the start of afternoon trading. However, this level attracted sizeable physical demand from the U.S. and forward metal recovered to close the late Kib at \$1,612.5. Turnover: 1,885 tonnes.

WHEAT—Steady, lower again as a further fall in Penang tapered renewed heavy best-selling, but liquidation and stop-loss selling, which depressed three months to a low of \$1,600 at the start of afternoon trading. However, this level attracted sizeable physical demand from the U.S. and forward metal recovered to close the late Kib at \$1,612.5. Turnover: 1,885 tonnes.

BARLEY—Steady, lower again as a further fall in Penang tapered renewed heavy best-selling, but liquidation and stop-loss selling, which depressed three months to a low of \$1,600 at the start of afternoon trading. However, this level attracted sizeable physical demand from the U.S. and forward metal recovered to close the late Kib at \$1,612.5. Turnover: 1,885 tonnes.

RYE—Steady, lower again as a further fall in Penang tapered renewed heavy best-selling, but liquidation and stop-loss selling, which depressed three months to a low of \$1,600 at the start of afternoon trading. However, this level attracted sizeable physical demand from the U.S. and forward metal recovered to close the late Kib at \$1,612.5. Turnover: 1,885 tonnes.

OATS—Steady, lower again as a further fall in Penang tapered renewed heavy best-selling, but liquidation and stop-loss selling, which depressed three months to a low of \$1,600 at the start of afternoon trading. However, this level attracted sizeable physical demand from the U.S. and forward metal recovered to close the late Kib at \$1,612.5. Turnover: 1,885 tonnes.

MAIZE—Steady, lower again as a further fall in Penang tapered renewed heavy best-selling, but liquidation and stop-loss selling, which depressed three months to a low of \$1,600 at the start of afternoon trading. However, this level attracted sizeable physical demand from the U.S. and forward metal recovered to close the late Kib at \$1,612.5. Turnover: 1,885 tonnes.

SUGAR—Steady, lower again as a further fall in Penang tapered renewed heavy best-selling, but liquidation and stop-loss selling, which depressed three months to a low of \$1,600 at the start of afternoon trading. However, this level attracted sizeable physical demand from the U.S. and forward metal recovered to close the late Kib at \$1,612.5. Turnover: 1,885 tonnes.

COFFEE—Steady, lower again as a further fall in Penang tapered renewed heavy best-selling, but liquidation and stop-loss selling, which depressed three months to a low of \$1,600 at the start of afternoon trading. However, this level attracted sizeable physical demand from the U.S. and forward metal recovered to close the late Kib at \$1,612.5. Turnover: 1,885 tonnes.

TEA—Steady, lower again as a further fall in Penang tapered renewed heavy best-selling, but liquidation and stop-loss selling, which depressed three months to a low of \$1,600 at the start of afternoon trading. However, this level attracted sizeable physical demand from the U.S. and forward metal recovered to close the late Kib at \$1,612.5. Turnover: 1,885 tonnes.

SPICES—Steady, lower again as a further fall in Penang tapered renewed heavy best-selling, but liquidation and stop-loss selling, which depressed three months to a low of \$1,600 at the start of afternoon trading. However, this level attracted sizeable physical demand from the U.S. and forward metal recovered to close the late Kib at \$1,612.5. Turnover: 1,885 tonnes.

GRAINS—Steady, lower again as a further fall in Penang tapered renewed heavy best-selling, but liquidation and stop-loss selling, which depressed three months to a low of \$1,600 at the start of afternoon trading. However, this level attracted sizeable physical demand from the U.S. and forward metal recovered to close the late Kib at \$1,612.5. Turnover: 1,885 tonnes.

MEATS—Steady, lower again as a further fall in Penang tapered renewed heavy best-selling, but liquidation and stop-loss selling, which depressed three months to a low of \$1,600 at the start of afternoon trading. However, this level attracted sizeable physical demand from the U.S. and forward metal recovered to close the late Kib at \$1,612.5. Turnover: 1,885 tonnes.

WOLLS—Steady, lower again as a further fall in Penang tapered renewed heavy best-selling, but liquidation and stop-loss selling, which depressed three months to a low of \$1,600 at the start of afternoon trading. However, this level attracted sizeable physical demand from the U.S. and forward metal recovered to close the late Kib at \$1,612.5. Turnover: 1,885 tonnes.

OTHERS—Steady, lower again as a further fall in Penang tapered renewed heavy best-selling, but liquidation and stop-loss selling, which depressed three months to a low of \$1,600 at the start of afternoon trading. However, this level attracted sizeable physical demand from the U.S. and forward metal recovered to close the late Kib at \$1,612.5. Turnover: 1,885 tonnes.

INDEXES—Steady, lower again as a further fall in Penang tapered renewed heavy best-selling, but liquidation and stop-loss selling, which depressed three months to a low of \$1,600 at the start of afternoon trading. However, this level attracted sizeable physical demand from the U.S. and forward metal recovered to close the late Kib at \$1,612.5. Turnover: 1,885 tonnes.

FINANCIAL—Steady, lower again as a further fall in Penang tapered renewed heavy best-selling, but liquidation and stop-loss selling, which depressed three months to a low of \$1,600 at the start of afternoon trading. However, this level attracted sizeable physical demand from the U.S. and forward metal recovered to close the late Kib at \$1,612.5. Turnover: 1,885 tonnes.

STOCKS—Steady, lower again as a further fall in Penang tapered renewed heavy best-selling, but liquidation and stop-loss selling, which depressed three months to a low of \$1,600 at the start of afternoon trading. However, this level attracted sizeable physical demand from the U.S. and forward metal recovered to close the late Kib at \$1,612.5. Turnover: 1,885 tonnes.

BONDS—Steady, lower again as a further fall in Penang tapered renewed heavy best-selling, but liquidation and stop-loss selling, which depressed three months to a low of \$1,600 at the start of afternoon trading. However, this level attracted sizeable physical demand from the U.S. and forward metal recovered to close the late Kib at \$1,612.5. Turnover: 1,885 tonnes.

CURRENCY—Steady, lower again as a further fall in Penang tapered renewed heavy best-selling, but liquidation and stop-loss selling, which depressed three months to a low of \$1,600 at the start of afternoon trading. However, this level attracted sizeable physical demand from the U.S. and forward metal recovered to close the late Kib at \$1,612.5. Turnover: 1,885 tonnes.

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ENERGY—Steady, lower again as a further fall in Penang tapered renewed heavy best-selling, but liquidation and stop-loss selling, which depressed three months to a low of \$1,600 at the start of afternoon trading. However, this level attracted sizeable physical demand from the U.S. and forward metal recovered to close the late Kib at \$1,612.5. Turnover: 1,885 tonnes.

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WINDS—Steady, lower again as a further fall in Penang tapered renewed heavy best-selling, but liquidation and stop-loss selling, which depressed three months to a low of \$1,600 at the start of afternoon trading. However, this level attracted sizeable physical demand from the U.S. and forward metal recovered to close the late Kib at \$1,612.5. Turnover: 1,885 tonnes.

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ATMOSPHERIC PRESSURE—Steady, lower again as a further fall in Penang tapered renewed heavy best-selling, but liquidation and stop-loss selling, which depressed three months to a low of \$1,600 at the start of afternoon trading. However, this level attracted sizeable physical demand from the U.S. and forward metal recovered to close the late Kib at \$1,6

Worsening industrial scene deters equity investment Overseas and domestic support sustains Gilt market

Account Dealing Dates
Option
First Declara- Last Account
Dealings Dealing Day
Dec. 24 Jan. 3 Jan. 19 Jan. 19
Jan. 12 Jan. 22 Jan. 23 Feb. 2
Jan. 26 Feb. 5 Feb. 6 Feb. 13

Further evidence of the deepening industrial recession and persisting rumours that at least one major manufacturing group was seeking Government assistance gave potential investors added cause to shun London equity markets yesterday.

Gilt-edged securities, on the other hand, maintained the recent better trend. In equities, a technical recovery set in after the recent sharp downturn with the leaders moving higher during the morning following a certain amount of bear-covering. On its completion, however, the firmness soon crumbled and shortly after midday the tone turned easier with business at a virtual standstill in many sectors.

Electricals and Oils provided exceptions, with the former attracting an especially brisk trade accompanied by considerable price fluctuations. A feature in the sector was continuing speculation about the financial situation at ICL, the computer and electronics group, the shares of which dropped to 43p before steadying to close at 44p. In the oil sector, the index had recovered a little from a 1980 peak of 196p. Racial Electronics also came under pressure ahead of the midday results, due at the end of the month, and lost 10 to 28p.

Wall Street's firmer opening trend yesterday helped some stocks to steady in the late business, but the FT Industrial Ordinary share index still closed at the day's lowest with a fall of 1.4 to 446.0, at 11.00 am, the index had recovered a little from a 1980 peak of 196p. Racial Electronics also came under pressure ahead of the midday results, due at the end of the month, and lost 10 to 28p.

announcements by Thomas Witter and Stag Line, activity in takeover stocks was also moderate.

Government securities continued to improve with sentiment influenced by the gloomy industrial scene and hopes of a further reduction in minimum lending rate. The appearance of overseas funds ensured the market of a firm start and domestic support followed.

Quotations settled a shade below the best, but closing gains extended to 2 among medium and longer-dated issues. Shorter maturities, where changed, also went better with the recent on Exchequer 111 per cent 1984, which in ex-dividend form, drew "cheap" buying and rose to 95.1.

BP continued to attract a useful traded options business, contributing 204 deals to a total of 864. Royal was also wanted with 138 trades arranged.

Brentnall Beard down
Brentnall Beard softened to 2 1/2 on the day, despite annual results and other Lloyds Brokers continued to drift lower. Elsewhere, Composites plotted an irregular course. Royals new nil-pick, at 13p premium, reflected 3 of the previous day's reaction of 7.

Bank of Scotland rose 5 to 280p following Press comment in an otherwise lethargic banking sector. However, Far Eastern demand in the wake of a broker's circular, helped Development Bank of Singapore to rise 15 to 165p.

Demand for Breweries remained at a low ebb although yield considerations lifted British and Newcastle 2 to 55p. Wines and Spirits ended a shade firmer in places, but reports of shippers working and reduced whisky consumption clipped a penny from Irish Distillers, 57p. A rather tedious day in the

Building sector was enlivened by a rise of 5 to 116p, after 119p. In Magnet and Southern following interim results above expectations.

Better-than-expected half-yearly results prompted a rise of 10 to 110p in Allied Colloids, but adverse Press mention caused occasional selling of Bladen and Noakes which eased 4 to 106p. Inclined harder initially, ICI drifted back to close without alteration at 385p.

Fraser's easier
Business in Stores again left much to be desired and the leaders ended a shade easier for choice. Still unsettled by Lomph's opposition to the D. H. Evans sale-and-leaseback deal, House of Fraser declined 3 to 127p. Lomph gave up 2 to 93p. In contrast, the chairman's confidence expressed at the annual meeting left Burton a couple of pence to the good at 92p. A reasonable two-way trade was transacted in selected secondary issues.

Racial met fresh selling ahead of the interim figures due at this month and touched 230p before closing 10 down on balance at 284p. Trade in the other Electrical leaders became more two-way and most quotations ended the day a little changed. In contrast, secondary issues recorded some fairly substantial losses. Adverse Press mention prompted a reaction of 12 to 562p in United, Farnell recorded 8 to 340p and Eurotherm 8 to 247p, while Muirhead shed 4 to 66p.

Engineering leaders took on a steadier appearance after Tuesday's late setback on nervous offerings. Tubes fluctuated within fairly narrow limits before settling 2 firmer at 168p, while GKN finished a penny dearer at 138p. Vickers staged a useful rally and closed 5 better at 143p. Elsewhere, the majority

of movements were usually against holders. Ductile came on offer and lost 5 to 51p. Weir Group eased 2 to 18p, as did Castings, to 35p.

Foods generally trended lower, but Linford, down to 136p in front of the announcement, rallied to close a net penny to the good at 142p following the interim statement. Pre-takeover Tuesday's interim statement left Sompex 30 lower at 525p. George Bassett provided a late dull feature by falling 3 to 32p on the sale of its Paterson's subsidiary to Argyll Foods.

Grand Metropolitan remained dull in front of today's preliminary results, closing 3 off at 138p. Trusthouse Forte gave up 4 more to 175p, while further consideration of the chairman's cautious statement clipped 1 more from Reo Slakis, 48p.

ICL sold again
Fresh selling on increasing fears that the company urgently needs Government aid saw ICL fall to touch a 1980-81 low of 43p before closing a net 7 down at 48p, or nearly 54 per cent, since the group's dismal preliminary figures were announced on December 11. Elsewhere in the miscellaneous industrial, Diploma Investments shed 14 to 150p, after 145p, on adverse comment and Centreway cheapened 4 to 103p, after 109p, following the interim dividend reduction and half-year profits slump. Diamond Stylus eased a penny to 12p, also after disappointing interim figures, while Royal Worcester came on offer and lost 10 to 230p. Redundancy details clipped 8 from Manchester Ship Canal, 190p, and Cope Allman were friendlier at 50p, down 5.

Thomas Witter jumped 12 to match the surprise 54p per share cash bid from Tarmac, while Renault hardened 2 more to 73p. Airfix Industries hardened a fraction to 8p on the announcement that the company had achieved record sales in December, while Thomas French appreciated 5 to 124p following the results. A dull market of late in sympathy with the economic disquiet. Roper issues rallied on relief that the company was not Stag Line's saviour: the ordinary

closed 2 dearer at 168p, after 160p, and the A added 5 to 187p, after 182p. With the exception of Glaxo, which rallied 4 to 246p, the leaders continued their downward drift. Rank Organisation lost 10 to 160p and Boots gave up 4 to 225p.

Further consideration of the chairman's profits warning clipped 10 from Management Agency and Music, 182p.

Support was again lacking for Motor Components and Dowty fell 7 more to 180p. Lucas closed cheaper at 189p, while Arrow Streamlines shed a similar amount to 171p. Distributors remained mixed. The sharp downturn in annual profits reported by Kensing was offset by the maintained dividend and the close was 1 1/2 higher at 85p.

Properties firmed occasionally, but the volume of business was small. Alliant London added 4 to 218p as did Greycoat Estates, to 165p.

helped Mercantile House rise at 590p before profit-taking prompted a late reaction which left a close of 570p, down 5 on the day.

Late rally in Golds
South African Gold shares fell to their lowest levels for five months following reports that the U.S. had agreed to Iranian demands regarding the release of the U.S. hostages in Iran.

The reports caused a further decline in the bullion to \$556.50 at the afternoon fixing before a close of \$5 down at \$551.50 an ounce.

Share prices came under pressure from the outset, as news of civil unrest in South Africa and the breakdown of the Namibian talks in Geneva prompted jobbers to mark prices lower.

Thereafter, persistent selling from Johannesburg, the Continent and London caused further sharp losses which reached their severest after the reported U.S. moves to free the hostages. The after-hours trade, however, saw the market stage a strong technical rally which left prices well above the day's lows. The Gold Mines index showed a fall of 16.2 at 356.6.

Among the heavyweights, West Driefontein closed 11 1/2 down at £33, after £32.1, and Anglo American £33.1, after £32.1, and President Brand £32.1, after £32.1.

Financials sustained similar falls. AngloGold lost £2.1 to £46.1 and GFS £2.1 to £34.1. In the London-based issues, Gold Fields met persistent selling and ended a further 12 lower at 47p, while Tipped dipped 10 to 39p and Charter 9 to 185p.

Australians continued to attract light selling in the wake of another uninspiring performance by overnight domestic markets. Golds reflected the bullish price and sustained sizeable losses. GMR gave up 30 to 440p and Peaseidon dropped 12 more to 272p.

Renewed demand ahead of the interim results due on January

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Renewed demand ahead of the interim results due on January

	Jan. 14	Jan. 13	Jan. 12	Jan. 11	Jan. 10	Jan. 9	Year ago
Government Secs.	68.47	68.39	68.31	68.65	68.50	68.85	68.52
Fixed Interest	70.33	70.37	70.32	70.34	70.46	70.61	68.95
Industrial Ord.	446.1	447.4	445.1	461.2	469.6	460.2	455.9
Gold Mines	356.6	372.8	367.1	390.9	391.7	404.9	456.1
Ord. Div. Yield	8.00	7.97	7.85	7.74	7.76	7.77	7.20
Earnings, Yld. (full)	17.91	17.94	17.97	17.82	17.78	17.78	17.85
P/E Ratio (net)	6.84	6.87	6.98	7.00	7.00	7.00	6.80
Equity turnover	20,117	19,583	20,462	18,763	20,779	20,876	27,000
Total Bargains	87.99	78.37	129.76	115.12	106.46	167.05	
Equity turnover	13,625	13,399	17,025	12,932	15,689	20,113	

10 am 448.4, 11 am 450.0, Noon 448.2, 1 pm 445.5, 2 pm 446.2, 3 pm 446.2, Latest Index 01-248 8026, NI = 6.32, Basis 100 Govt. Secs. 15/10/75, Fixed Int. 1928, Industrial Ord. 1/7/55, Gold Mines 12/9/55, SE Activity July-Dec. 1942.

HIGHS AND LOWS S.E. ACTIVITY

	1980/81		Since Compil't'n		Jan. 14	Jan. 13	
	High	Low	High	Low			
Govt. Secs.	72.54 (21.7)	63.85 (7.8)	127.4 (5.168)	49.18 (41/78)	Daily Govt. Bonds Speculative Totals.	130.5 88.2 40.9 68.5	143 71
Fixed Int.	74.06 (24.7)	64.70 (16.9)	150.1 (20.1747)	50.53 (41/78)			
Ind.Org.	51.65 (17.71)	40.62 (7.8)	120.4 (4.757)	58.4 (36/40)	5-day Avere. Govt. Bonds Industrials Speculative Totals.	121.9 87.3 37.5 64.8	131 81 53 71
Gold Mines.	55.9 (22.5)	28.55 (10.5)	55.9 (22.9/80)	43.5 (25/107)			

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Unions may seek new 'social contract'

By Christian Tyler, Labour Editor

THE TUC has tentatively reopened the controversial question of whether it should direct trade unions' own wage bargaining with employers as the result of an agreement with a Government sympathetic to broad TUC policies.

Its discreet reference to the kind of social contract arrangement the TUC had with the last Labour Government is contained in a consultative document for unions published last night.

The main purpose of the document is to canvass trade union opinion ahead of decisions this autumn on a major set of organisational reforms which— at considerable financial cost— would bolster the TUC's authority and the quality of services it provides to its 109 affiliates.

In a passage about future relationships with government, the paper says: "The outcome of any negotiations between the TUC and Government will affect the allocation of resources within the economy, with the inescapable implications that this carries as to whether unions should take account of this in their own collective bargaining with employers and, if so, how this could be done most effectively."

This provides a clue to one of the TUC's main objectives, which is to recapture the kind of influence over economic policy that it enjoyed with the Wilson and Callaghan Governments.

It also highlights the main obstacle— apart from expense— to the reforms suggested: that the industrial unions will be very unwilling to give up their historical independence and power, even in the face of falling memberships and waning industrial muscle.

Much of the paper is devoted to finding ways of carrying the main lines of TUC policy down to the shop floor, and redressing what the TUC says is a distorted image of the unionism created by the media.

For employers, the key passages will probably be those which discuss how the TUC might help rationalise the unions by merger, joint arrangements at company level, and sorting out spheres of influence in contested areas of new recruitment, particularly among white collar workers.

Details, Page 9

Monsanto to close a division

By Ian Hargreaves in New York

MONSANTO, the fourth largest U.S. chemicals company, yesterday announced that it would sell or shut its entire polyester filament textiles business.

The decision will cut Monsanto's 1980 earnings by \$70m (£29m) after allowing for the \$38m the company will raise by selling one of its three polyester filament plants to Fiber Industries.

In the first nine months of last year, Monsanto earned \$220m on sales of \$4.91bn in spite of the textiles losses. The company is expected to report its year end earnings late next week.

Fiber Industries is 35 per cent owned by Britain's Imperial Chemical Industries, but the controlling stake is held by the Celanese Corporation of New York.

In the last five years, Monsanto has lost \$267m on its textiles business, which yesterday's action is designed to remedy. The company said it remained committed to its other textiles activities.

About 1,600 jobs will be eliminated, but at least 400 of these will be taken on by Fiber Industries and others who may be relocated by Monsanto.

Fiber Industries will take over the newest of Monsanto's filament plants at Fayetteville, North Carolina. One of the plants to be closed is at Fayetteville and the other is at Guntersville, Alabama, where 800 people work in a facility built in the early 1970s— with rapid expansion of polyester filament capacity in the U.S.— Dupont, the largest producer, established a decisive technological lead in the speed at which its filament could be textured for the production of fabrics.

It is Monsanto's partially developed technology to beat Dupont by producing a ready textured filament (called in-line texturing) which Fiber Industries has agreed to buy, for \$8m.

It is hoped that this technology, to which Fiber Industries will obtain patent rights, will soon be available for use at the remaining Fayetteville plant.

Rival technology aside, however, there is still significant overcapacity in the U.S. polyester filament industry.

TUC and CBI to press for more industrial aid

By John Elliott and Christian Tyler

THE Prime Minister will be faced with pressure from both the TUC and CBI to provide maximum relief for British industry in the Budget when she chairs the February meeting of the National Economic Development Council.

The CBI is to concentrate its demands on a cut of 2 per cent in the National Insurance surcharge to ease companies' liquidity problems. The TUC will demand a completely new approach to the economy and a stimulus of £8bn to counteract high and rising unemployment.

TUC leaders intend to invite the CBI to discuss their economic policies together later this month so that a joint approach can be mounted at the next meeting of the council on February 4.

The CBI's decision to concentrate its Budget representations on the national insurance surcharge is especially significant. Some Government advisers are known to be sympathetic to the surcharge being partially abolished but, up to now, such a move has seemed to be too expensive to be politically acceptable.

PSBR may overshoot target this year, Lawson warns

By Peter Riddell, Economics Correspondent

PUBLIC SECTOR borrowing may overshoot the target in the current financial year and will continue to be pushed up in 1981-82 by the deeper-than-expected recession. Mr. Nigel Lawson, Financial Secretary to the Treasury, warned last night.

Mr. Lawson, however, strongly reaffirmed the Government's commitment to the targets for a gradual reduction in public spending and borrowing in the rate of monetary growth as set out in the medium-term financial strategy last March.

In a significant pointer to the Budget decisions he argued that "in a recession it would be wholly appropriate, and wholly consistent with declining monetary growth, for public sector borrowing to be allowed to rise above the medium-term trend line."

These comments came during a long and remarkably candid review of the Government's financial record and prospects in a speech last night to the Zurich Society of Economists.

From the point of view of the gilt-edged market the key references are to the borrowing outlook. Last November the Treasury revised upwards its forecast for 1980-81 by £3bn to £11.5bn, mainly because of the deeper-than-expected recession.

Mr. Lawson conceded yesterday that it might "well prove that the final outcome is even greater than this; in addition to the direct effects of the recession on tax revenues, there is the tendency, when money is tight, for both companies and individuals to delay payments of the tax due from them so far as they are able to do so."

Looking ahead, Mr. Lawson said there was "no reason to suppose that next year's (1981-82) borrowing requirement cannot be brought back more or less on track— by which I mean the 3 per cent of Gross Domestic Product set out in the medium-term financial strategy plus the automatic consequences for the public finances of Gross Domestic Product in 1981-82 being lower than was forecasted when the medium-term strategy was published almost a year ago."

"This implies no room for manoeuvre on taxation. Indeed, Mr. Lawson said his view emphatically did not mean that "discretionary action to boost the budget deficit over and above the natural increase brought about by recession is either sensible or desirable."

He pointed out that, "as a measure of our dedication to the principles of sound finance, the real burden of taxation had, on balance, been increased since 1978."

On monetary policy, he admitted the picture was "somewhat obscure and decidedly patchy."

The conclusion he drew was that "monetary conditions in the UK have not been inflationary so far, but that it is essential from now on to secure a lower rate of growth of broad money, and indeed, over the three remaining years of the medium-term financial strategy, it might well be prudent to claw back at least some of the excess growth that has already occurred."

Mr. Lawson stressed the desirability of retaining some broadly defined monetary aggregate as the most useful guide, though hinted at the advantages of a wider measure of liquidity than sterling M3, the current target indicator.

Several times during the speech Mr. Lawson referred to the importance of achieving improvements in methods of funding the Government's borrowing needs. The implication is that further study of new methods is under way.

Looking at the overall prospects, Mr. Lawson said "all the signs suggest that, taking the economy as a whole, we have now more or less reached the bottom, and better times are clearly in sight."

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Daimler makes bid for U.S. lorry group

By Ian Hargreaves in New York

DAIMLER-BENZ of West Germany and Consolidated Freightways, the San Francisco-based lorry manufacturer and haulier, yesterday emerged as rival bidders for the lorry building business of the U.S. White Motor concern, the heavy vehicle and farm machinery maker which is under the protection of American bankruptcy laws.

White said last night it was expecting a firm offer from Daimler shortly. Daimler is interested in buying White's Canadian lorry making business as well as its U.S. plants.

A Canadian consortium is already pursuing a bid for White's entire Canadian interests.

Only a week ago, Daimler and Consolidated were discussing the possible purchase by Daimler of the San Francisco company's lorry building subsidiary, Freightliner.

Consolidated said yesterday that having failed to agree a price with Daimler for the sale of Freightliner, it had decided to pursue the reverse option and seek to end the subsidiary's drain on its earnings by expanding its market share.

Both White and Consolidated build heavy lorries in excess of 15 tonnes, classified in the U.S. as class 8 diesel. But according to Consolidated, White's product range is broader and less specialised than the West Coast company's.

Freightliner's share of the U.S. heavy lorry market is larger than White's, whose share has probably declined further since it announced last September it would file for protection under the bankruptcy laws. It is continuing operations during the bankruptcy reorganisation.

In the first 10 months of last year, Freightliner held the 9.7 per cent of the U.S. lorry market and White 6.4 per cent.

But in the first three-quarters of last year, Consolidated's manufacturing interests, dominated by Freightliner, lost \$20.2m (£8.4m) on sales of \$423m.

This is the second time in five years that Daimler-Benz has considered buying all or part of White. But the German company could not agree a price in 1977.

Daimler-Benz confirmed yesterday that fresh talks with White had been taking place.

Vauxhall to cut jobs Continued from Page 1

will begin at the end of this month, Mr. Moore said he hoped the Vauxhall plants would be back to full-time working by the spring.

He said short-time working was very expensive and inefficient for the company. Apart from anything else it was taking the company too long to respond to the order intake.

Vauxhall last November reported a record net loss of

£4.6m for the first half of 1980. Since then losses have continued to increase.

In 1980 Vauxhall assembled 88,000 cars and 94,000 commercial vehicles, according to Mr. Moore, who said output this year "should be a bit better."

Vauxhall is believed to have around 15,000 cars in stock in the UK— at the factory and with dealers— or roughly three months' supply, which would be a satisfactory level.

One of the U.S. lawyers retained by Iran said he thought the new suit "would be helpful" to the hostage negotiations.

Return of the Pahlavi money was one of the four original demands made by Iran for release of the captives, and has been an obstacle in the protracted negotiations.

The legal move in the U.S. District Court in New York also appeared aimed at following up the Bill to nationalise formally the Shah's assets.

The Iran Central Bank claimed yesterday to have succeeded in freezing transactions of the late Shah's property in San Moritz, Switzerland, where a luxury skiing lodge was maintained by the Pahlavi family.

EEC set to raise farmers' prices

By Larry Klinger in Brussels

EEC COMMISSION officials have prepared proposals which are understood to suggest that the guaranteed prices to Community farmers for their produce should be increased by an average of 5 to 6 per cent from the end of March.

The package, worked out under the direction of Mr. Finn Olav Gundelach, the Agriculture Commissioner who died of a suspected heart attack on Tuesday, will shortly go to the 14-man Commission for approval before scrutiny by the Ministers of Agriculture of the Ten.

Indications from the Ministries, however, suggest that there is a consensus that farmers may need average increases in commodity prices of 9 to 10 per cent to compensate for the effects of rising production costs.

Pressure

The principal criterion governing the price increase farmers can be given is the size of the Community's overall budget.

In the past two years the pressure from spending on agricultural support has threatened to exhaust the EEC's finances.

However, there appears to be adequate room for manoeuvre which may allow a speedy settlement of the price negotiations, with the Commission giving its early or mid-February and the member countries agreeing some time in April.

Election

Given careful management of farm markets, it is believed that the total extra cost to the Community of agreement to rises of between 9 and 10 per cent would be about 1,250m European units of account (about £700m). This is well within manageable limits, officials say.

But there are two possibilities that could quickly destroy hopes of a smooth agreement. The new Agriculture Commissioner, who is yet to be named, could insist that, however forceful the arguments presented to him, he must have time for a complete personal review of the situation.

Further, the French Government, which faces a presidential election this spring, might decide that a matter as delicate as agricultural prices is best left until after the voting.

Budget dispute, Page 2

Weather

UK TODAY

COLD, with some rain and strong winds.

London, S. and S.E. England: Sunny intervals, scattered showers. Max. 4C (39F).

S.W. England, S. Wales: Wintery showers. Max. 6C (43F).

Rest of England, N. Wales, S. and N.W. Scotland, Ulster: Showers with gale-force winds. Frost later. Max. 4C (39F).

N.E. Scotland, Aberdeen: Snow and severe gales. Max. 1C (34F).

Outlook: Rain, preceded by snow, spreading east. Cold.

WORLDWIDE

	Y-day	Today	Y-day	Today		
	midday	midday	midday	midday		
Ajaccio	11	52	Locarno	8	46	
Algers	C	11	London	8	46	
Amsterdam	6	43	Ang	12	54	
Antwerp	14	57	Luxemb.	Sn	3	27
Athens	C	17	Madrid	9	48	
Bahia	C	F	17	63		
Barcelona	C	F	17	63		
Berlin	C	F	17	63		
Belfast	8	46	Malta	12	54	
Bombay	10	50	Manila	8	46	
Bordeaux	10	50	Mexico	10	50	
Boston	10	50	Moscow	10	50	
Bremen	10	50	Munich	8	46	
Buenos Aires	10	50	Nairobi	10	50	
Burgas	10	50	Naples	8	46	
Cairo	10	50	Newcastle	9	48	
Cardiff	10	50	New York	7	19	
Casablanca	10	50	Nice	10	50	
Cebu	10	50	Nicosia	16	61	
Colon	10	50	Oslo	10	50	
Copenhagen	10	50	Paris	8	46	
Dakar	10	50	Perth	24	75	
Damascus	10	50	Prague	8	46	
Dar es Salaam	10	50	Rangoon	10	50	
Delhi	10	50	Reykjavik	9	48	
Detroit	F	14	77	Rhodes	15	59
Dublin	10	50	Rivoli	16	61	
Dunfermline	10	50	Saltzbrg.	8	46	
Edinburgh	10	50	Seoul	7	45	
Frankfurt	10	50	Seoul	7	45	
Geneva	10	50	Singapore	10	50	
Glasgow	10	50	Stockholm	Sn	3	27
Graz	10	50	Strasbourg	8	46	
Hamburg	10	50	Sydney	25	77	
Helsinki	10	50	Taipei	10	50	
Hong Kong	10	50	Tel Aviv	17	63	
Istanbul	10	50	Tenerife	11	53	
Jersey	10	50	Tokyo	10	50	
Johannesburg	10	50	Toronto	Sn	14	46
Kobe	10	50	Turin	8	46	
Kuala Lumpur	10	50	Valencia	9	48	
Lima	10	50	Vladivostok	8	46	
Lisbon	10	50	Warsaw	8	46	
London	10	50	Winnipeg	10	50	
Lyons	10	50	Zurich	8	46	

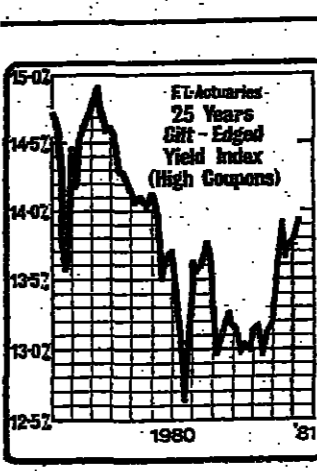
C-Cloudy, F-Fair, R-Rain, S-Sunny
Sn-Snow, 1-1 Noon, GM-T temperatures

Cloudy, Fair, Rain, S-Sunny, S-Snow, 1 Noon GMT-10 min.

THE LEX COLUMN

Kiss of life for the strategy

Index fell 1.4 to 446.0



The gilt-edged market has entered 1981 in a state of gentle drift, with a demonstration as early as January 2 that the flood of new issues is continuing, while such economic indicators that have so far appeared have made for caution. Thus the apparent easiness of the money markets—at a time when the Revenue should be clawing in vast seasonal tax payments—has caused a little uneasiness. Moreover, the Government's plan to take some of the pressure off the gilt-edged market by stepping up sales of grannys bonds is running behind schedule. And at the root of the market's caution is the feeling that it is no longer possible to be sure about the scale of Government borrowing—this year, let alone next.

Mr. Nigel Lawson's speech in Zurich last night was directed at reassuring the financial markets that the Government has not abandoned its medium term strategy. Next year's public sector borrowing requirement will be back "more or less on track." But there was a clear hint that the Treasury has been getting very restive over the Bank of England's role in funding policy. And in the meantime, some of the short term doubts are confirmed, with the confirmation that the PSBR for 1980-81 could well come out higher than the revised £11.5bn estimate, and with the suggestion that tax payments are being delayed.

Still, Mr. Lawson made a specific reference to the PSBR for 1981-82, suggesting that on an adjusted basis—that is, allowing for the weakness of the forecasted path—it will be in line with the 3 per cent of gross domestic product set out in the medium term plan. In 1980-81 the amount of PSBR overshoot which is attributable to the recession has been estimated by the Treasury at some £2bn. Next year it will presumably be higher. But it is hard to see that the effective underlying figure of, say, £7bn to £8bn, could be swollen to more than the £11bn-£12bn range. At least that—coupled with the indication that some of the money supply overshoot will be clawed back—gives the gilt-edged market some scope to do its sums again.

Volume overall has fallen by perhaps a third, with the Southern Evans trading arm bearing the brunt of the decline. Pre-tax profits here are down by more than a quarter, but the damage has been limited, with no stock losses since there has been little exposure to Russian softwood. Magnet Joinery, the more important manufacturing arm, has continued to gain market share, and there has been a rise of nearly 5 per cent in pre-tax profits. Volume has looked more healthy from October, after a setback in the previous quarter. This side of the business has actually benefited from the drop in timber prices, helping the group to push working capital requirements lower. An extra two weeks' holiday at Christmas has proved enough to get stock levels into line and it looks as if the full-year profits outlook for the group will be close to the £25.8m recorded last time.

One reason that fund managers are worried about the volume of public borrowing at the moment is that it is clearly growing so much faster than their own cash flows. Brokers Fielding, Newson-Smith have been monitoring their clients' liquidity for several months, and have generally found it wanting. They are expecting total resources of the insurance companies and pension funds to

rise by less than 11 per cent in the 1981-82 financial year, giving a net cash flow of less than £10bn against £10.1bn or so this year.

They point out that over the last five years there has been a fairly good correlation between gilt-edged yields and the rate of public borrowing needs. Institutional cash flow, a rate which they expect to rise sharply in the second half of 1981.

Brokers Phillips and Drew are less pessimistic in their projections of cash flow, since they expect pension fund inflows to hold up quite well. They are looking for £11.8bn in calendar 1981 against £10.8bn last year and £10.4bn in 1979. But for the first time in several years their estimate is lower—by nearly £1bn—than the figure they forecast for institutional investment on the assumption that the big funds behave passively in the gilt-edged and equity markets, simply buying their share of new issues.

Of course cash flow is only one of many influences on the stock market. But the message of these figures is that in 1981, insofar as it has an impact, it will be bearish.

Iceland bond

The last planned bulldog bond, an issue for Gaz de France, was torpedoed by a sudden fall in the gilt-edged market, and it was generally assumed that no one but the British Government would be interested in borrowing at the recent high yields. Iceland, however, is undeterred, and is issuing a £15m 35-year bond yielding 15.1 per cent to maturity.

The large premium over gilt-edged yields is necessary in part because of worries about marketability. The recent £75m Denmark issue can be traded in amounts of £100,000 on a half-point spread, but the Iceland bond is only a fifth the size.

This fledgling market badly needs a big issue by an absolutely first-class borrower, but yields are a good 13 points too high for that to be likely. Another problem is that commission rates on dealing in these bonds are much higher than on gilt-edged. Because of this drawback, the Iceland bond (like the Denmark issue) will be traded £20-paid for several weeks, with proportionately lower dealing costs, in the hope that by the time it is fully paid it will have shifted into firm hands. After all, this really is a long-term issue for institutions to lock up.

Institutional cash

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Magnet & Southern

Most timber companies have been badly caught out by the depth of the cyclical downturn; halved profits and cut dividends have been commonplace. Magnet and Southern, by contrast, has managed to sail through the summer half with its pre-tax

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